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WORLD NEWS

White House probes failed Panama coup

The White House has ordered a probe into US handling of Tuesday's failed coup attempt against General Manuel Noriega, Panama's military strongman.

The inquiry comes amid criticism that the Administration wasted a chance of ousting Gen Noriega, who is wanted on drugs charges in the US. Page 33; Noriega battens down hatches, Page 13

Swiss seized
Two Swiss Red Cross workers were taken hostage at gunpoint in the south Lebanese port of Sidon. Supporters of the Abu Nidal group.

Pledge on hostages
Foreign Secretary John Major promised he would keep the issue of the Lebanon hostages "high on the public agenda." He spoke after attending a memorial service in London for the mother of British journalist John McCarthy, taken hostage in Lebanon in 1986.

Hungarian reform
Imre Pozsgay, most radical of the Hungarian Communist Party's four-man leadership, said the party must break with the past and enter the west European social democratic tradition to survive. Page 2

Ambulance move
Health service chiefs have agreed to meet the conciliation service Acas to discuss the long-running ambulance dispute over pay. Page 5

Kinnock 'fit and ready'
Labour leader Neil Kinnock ended his party's Brighton conference saying he was "fit and ready" to be Prime Minister. Page 5; Sailing on a high tide from Brighton, Page 32

Israel rejects talks
Right-wingers in the Israeli coalition cabinet voted down Labour proposals for talks with a Palestinian group in Cairo. Page 3

Spycatcher ruling
The European Commission brought the possibility of a European Court of Human Rights action over Spycatcher a step nearer when it agreed to investigate a complaint by three British newspapers. The Times, Observer and Guardian argued that the Government ban on printing extracts from the book breached human rights. Page 3

Nuns protest over hens
Fourteen nuns from Daventry, Northamptonshire, locked themselves into a hen house to stop health officials slaughtering their 5,000 chickens after salmonella had been found in the flock. The officials retreated but said they would be back.

Saudis punish thieves
Eleven Yemenis convicted of theft had their hands publicly chopped off in Medina, Saudi Arabia.

'Training' for students
Thousands of Chinese first-year students from six provincial campuses are to be sent to military camps to "correct" their ideological outlook.

Moscow visit cancelled
A British human rights delegation has cancelled a visit to Moscow because one of its members, an expert on Soviet religious affairs, was denied a visa, the Foreign Office said. The trip had been arranged at the Soviet authorities' invitation.

Daly condemns IRA
Dr Cahal Daly, Bishop of Down and Connor, said IRA terrorists could not also be Roman Catholic church members. He was speaking at the Northern Ireland funeral of a Catholic man the IRA killed in the belief he was a loyalist.

Figurehead sold
The figurehead from Admiral Nelson's flagship, Medusa, fetched £35,000 at a Christie's auction in London. It was sold to a private buyer.

BUSINESS SUMMARY

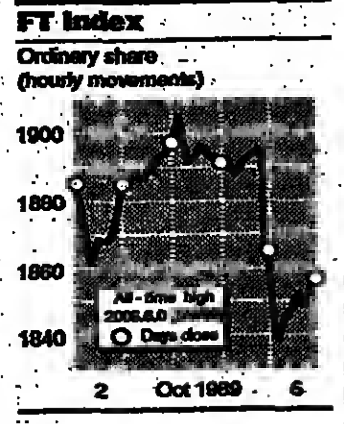
US Treasury warns banks over Mexico

The US Treasury stepped up pressure on commercial banks to fulfil their debt agreement with Mexico, warning that otherwise the consequences could be "very painful."

A senior Treasury official stressed that no more public money or enhancements from the IMF, the World Bank and Japan would be provided. He also noted that Congress was considering legislation to penalise banks which did not participate in debt reduction arrangements. Page 2

UK EQUITIES ended a painful week's trading on a slightly more stable note as early losses were largely recouped by the close after a burst of speculative activity. The FT-

FT Index



Ordinary lost 8.4 to 1,857.8, a fall of 27.9 compared with last week's close of 1,885.7. Page 21; Lex, Page 28

JAGUAR shares rose 62p to 731p in London while in the US, the Federal Trade Commission gave Ford clearance to buy up to 15 per cent of the UK luxury car maker.

CROSSRAIL plan to ease London congestion is likely to be cancelled because the Treasury will not provide sufficient funds. Page 4

US LABOUR market weakened sharply in September, due to a drop of 105,000 in manufacturing employment during the month. The figures were much weaker than market analysts had been expecting. Page 28

WH SMITH, UK retail and distribution group, sold its 86.5 per cent stake in its Canadian chain of book and card shops at a price valuing the whole business at C$54.0m (£28.3m). The buyer is Canadian-based Federal Industries Consumer Group. Page 14

EAGLE TRUST'S chairman David James appointed three directors to the board, but he warned that dealings in Eagle's shares, suspended since May, would not resume this year. Page 14

ROSS Consumer Electronics' shares leapt by 131p to 177p after the UK audio equipment and radio distributor announced a big reorganisation including the appointment as chairman of Roger Shute, BM Group chairman. Page 14

VAT: The Government is expected to confirm early next week that it plans to abolish VAT on stockbrokers' commissions and unit trust managers' fees from January 1. Page 4

METEOROLOGICAL OFFICE is to be run as an agency with a large degree of commercial independence from April 1990. Page 4

NEW CAR SALES last month were more than 10 per cent below the level last September. Page 4

MOULINEX, second-largest French manufacturer of household electrical equipment, continued its recovery with a 47 per cent advance in interim net profits to FFr47m (£4.57m). Page 16

IVORY PRICES have fallen dramatically because of consumer boycotts and government bans on ivory trading designed to help save the elephant, the World Wide Fund for Nature said. Zimbabwe yesterday refused to ban its ivory trade despite growing international pressure.

Thomson-CSF joins BAe in attempt to save Ferranti

By Terry Dodsworth and David White

BRITISH AEROSPACE and Thomson-CSF of France, two of Europe's leading defence companies, are negotiating a joint move to purchase Ferranti International Signal, the British electronics group which has been brought to its knees by a £185m fraud.

Representatives of all three companies met yesterday with Barings, Ferranti's merchant bank, to discuss the feasibility of a friendly rescue.

British Aerospace refused to comment last night, but is known to have picked up at least 2.5 per cent of Ferranti shares since Tuesday. A Thomson spokesman was not immediately available.

The two companies are believed to have already discussed with the Ministry of Defence the possibility of a joint takeover.

A joint bid would appear to answer possible British Government objections to a takeover either by British Aerospace on its own, on competition grounds, or by Thomson, on political grounds. Senior MoD officials would have strong reservations about a straight takeover of Ferranti by BAe, since it would greatly increase the already considerable concentration of defence interests in BAe's hands.

Concern is also understood to have been raised in Downing Street about the acceptability of Thomson acquiring one of Britain's leading forces in military high technology. This is based on potential embarrassment to Mrs Margaret Thatcher, the Prime Minister, if Ferranti were rescued indirectly by the French Government. Thomson-CSF is majority controlled by the state-owned Thomson group.

A joint move would also seal a strategic link between BAe and Thomson-CSF, which both Governments would be expected to support. The two companies reached a preliminary understanding late last year to explore opportunities in areas where their interests overlapped, including missiles.

A link-up between the three companies would offer significant technological advantages in fields such as airborne radar, in which Ferranti's future largely depends on winning a contested £1bn contract to equip the European Fighter Aircraft. Thomson-CSF is a leading European competitor in this domain and has already spent heavily on radar development for the planned French Rafale fighter.

Sir Derek Alun-Jones, the Ferranti chairman, was planning to begin a series of detailed discussions next week with a number of potential partners. These would be either companies prepared to acquire parts of the group, or potential part-shareholders ready to inject fresh cash, or prospective new owners.

Ferranti's problems were spelt out in more detail this week when the company received a special accountants' report on the fraud at its ISC Technologies subsidiary, taken over in 1987 as part of the International Signal and Control group headed by Mr James Guerin. Ferranti has indicated that it needs £100m to cover its immediate cash requirements and a longer-term injection of £150m in new equity.

Sir Derek has conceded that this might mean accepting a takeover. He told institutional shareholders at a private meeting this week that a number of companies were interested. Most institutions appear to favour a bid, which would bring in new management, rather than the option of a rights issue.

The UK Ministry of Defence, Ferranti's main client, would be expected to oppose the General Electric Company of Britain as a bidder because of its already overwhelming position in the British defence electronics sector.

Ferranti shares, which have risen steadily since they requoted at 48p, closed 1½p up last night at 59p, valuing the company at £441m.

Thomson results, Page 16

Lawson says that rate rise is enough

By Peter Norman, Economics Correspondent

MR NIGEL LAWSON, the Chancellor, yesterday held out the hope that British bank base rates have reached a ceiling, following Thursday's one percentage point increase to 15 per cent.

Speaking on BBC radio 4's Today Programme, Mr Lawson said: "I believe that there is every prospect that this is as high as we need to go. I hope so, although it will be necessary, I think, to keep interest rates high for some little time yet."

His cautious prediction was given support by West German officials, who commented yesterday on Thursday's one percentage point Bundesbank rate increases, which precipitated the British base rate rise.

Mr Karl Otto Pöhl, the Bundesbank president, told a bankers' conference in Bonn that the Bundesbank had decided on a one point rise in its discount and lombard rates to avoid subsequent speculation that its interest rates could rise further. Mr Theo Waigel, the West German finance minister, also told Reuters news agency that Thursday's Bundesbank interest rate rises went far enough.

With the exception of London equities, which fell more than 30 points on the FT-SE 100 index in early trading before recovering, UK financial markets took Thursday's interest rate rises in their stride yesterday.

The important three month interbank interest rate settled around the new base rate level of 15 per cent. After opening lower, the pound fluctuated narrowly against the dollar to close at $1.6025 in London, compared with $1.61 on Thursday.

The Bank of England joined seven other central banks, including the US Federal Reserve, in joint intervention against the dollar.

Sterling closed little changed against the D-Mark, while the Bank of England's trade-weighted sterling index closed at 91.4 yesterday – down 0.2.

In the radio interview, Mr Lawson rejected suggestions that Thursday's base rate

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Tokyo holds out, Page 2; Retailers fear cuts, Page 4; Editorial Comment, Page 12; Money Markets, Page 17; London Stocks and Government bonds, Page 21; Pöhl call, Page 28; Mortgage pain, Weekend III

Weekend FT

IRELAND: THE NEW EXODUS

The number of people emigreting from the Republic of Ireland is at its highest level for 20 years. And, es Kieran Cooke reports, young, professional people are in the forefront of the emigration.

Page I

Finance

How much will your mortgage cost now that interest rates have hit 15 per cent?

Page III

Colour Specials

Property: A 12-page special report: from around the world on £100,000 and up, to golfing resorts in Cyprus and the surge in UK country houses

Section III

Collecting: Antique fairs are taking a growing slice of the market, reports Antony Thorncroft

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Yachting: The best big boats, by Roy Hodson

Page XVI

Books

Tony Benn has become the best political diarist of our time, seys Malcolm Rutherford.

Page XIII

Gorbachev urges German stability

By David Marsh and Leslie Colitt in East Berlin

MR MIKHAIL GORBACHEV, the Soviet leader, yesterday threw his full weight behind the sovereignty of East Germany and said attempts in West Germany to overturn the post-war division could threaten stability.

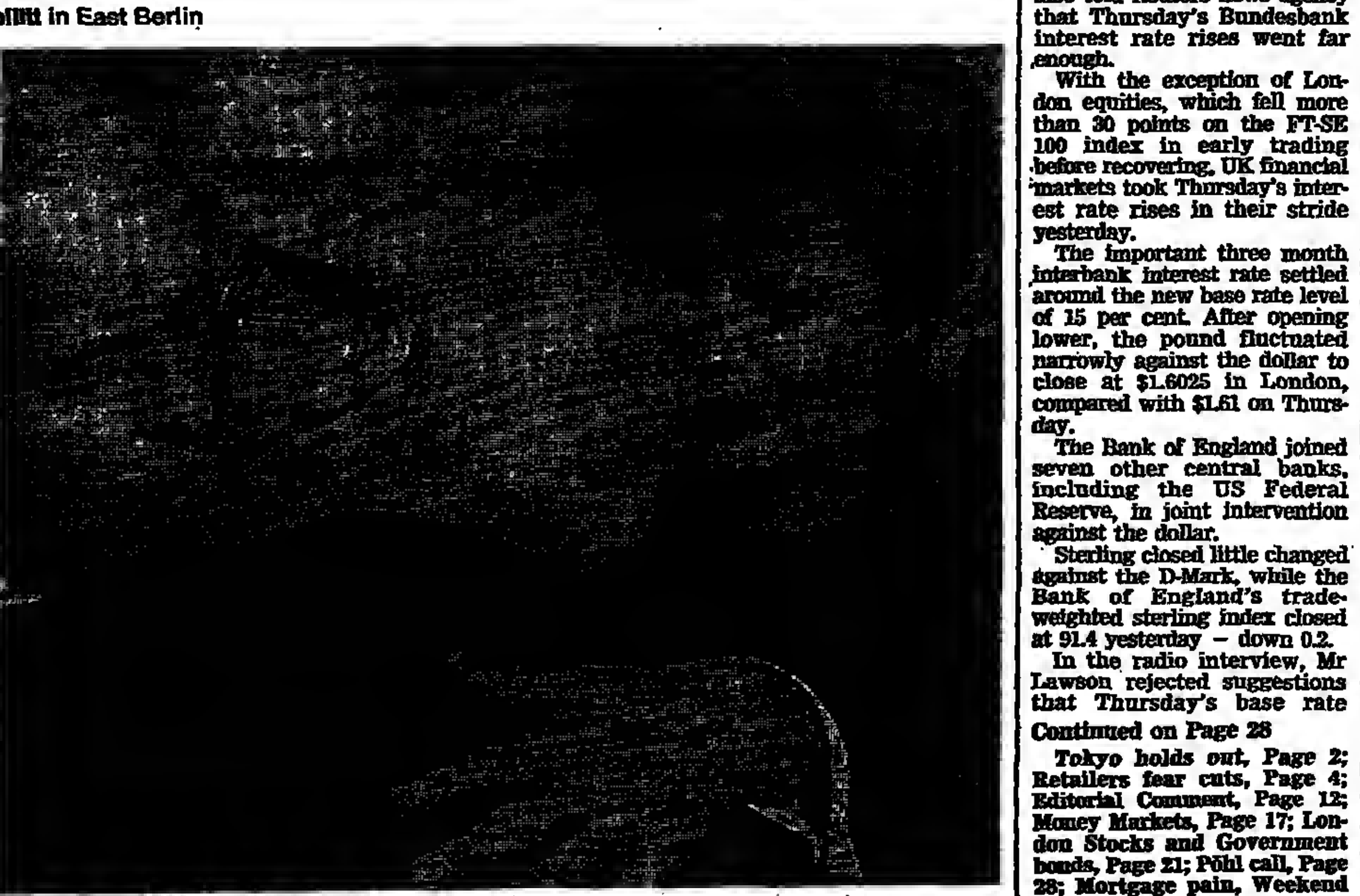
In a speech designed to shore up confidence in the East German leadership, under pressure from a growing domestic unrest and the exodus of fugitives, Mr Gorbachev called on the West to recognise the "realities" of the division of Europe.

Speaking to a hand-picked audience packing the Palace of the Republic in East Berlin to celebrate East Germany's 40th anniversary, Mr Gorbachev pointedly underlined the benefits of his economic and political restructuring.

But, in spite of East Germany's reluctance to follow the Soviet reform path, he declared emphatically that East Germany could solve its own problems. To applause, he said: "Policies which affect the German Democratic Republic are decided not in Moscow but in Berlin."

At yesterday's ceremony, neither Mr Gorbachev nor Mr Honecker made any reference to the flight of East German

Continued on Page 28
Gorbachev arrives, Page 2



Mikhail Gorbachev embraces East German leader Erich Honecker yesterday

Littlewoods' clothing suppliers asked to return part of payment

By Alice Rawsthorn

LITTLEWOODS, the retailing and football pools group, has asked clothing manufacturers supplying its chain stores to accept a "retrospective discount" on all orders placed this year to help it recover lost ground in intensely competitive trading conditions.

A letter headed "strictly confidential" and asking for discounts was sent on September 25 to the managing directors of all the group's suppliers by Mr Francis Ball, acting managing director of Littlewoods chain store division.

Littlewoods, one of the biggest privately-owned companies in the UK, is the seventh largest clothing retailer in the country.

The retail sector is facing intense pressure because of the impact of increased interest rates on consumer spending. In common with other retailers, Littlewoods is cutting costs and last week announced plans to shed 1,850 jobs in its retailing division.

Many clothing retailers have been prompted to squeeze prices on orders but this is thought to be the first time that a group has requested suppliers to return part of the payment for past orders.

The confidential letter said that Littlewoods' clothing sales were well below expectation.

It outlined plans for a price repositioning programme to ensure that "key lines are significantly lower in price than those of our major competitors" and also gave details of the launch of an advertising campaign.

The letter said that the suppliers would share Littlewoods' sense of deep concern and responsibility for the shortcomings in product ranges.

"Since Littlewoods has been obliged to reduce its price to its customers, I must ask you to do the same," Mr Ball continued.

Littlewoods yesterday confirmed that the letter was authentic. The request was the first time suppliers had been asked to give discounts on past orders. Littlewoods stressed that the discounts would be voluntary and were in the long-term interests of its suppliers because it was essential to increase sales.

The group's buying managers are now discussing terms with individual suppliers. The discounts are likely to be calculated as a proportion of each suppliers' sales to Littlewoods since the start of the year.

Littlewoods' suppliers are mostly small to medium-sized companies already suffering from competitive conditions in the clothing market.

Since the start of the year, the UK industry has been hit by a rapid rise in imports and sluggish demand.

Price squeezes by retail customers are affecting suppliers' profitability and the prospect of a further cut in prices – and of returning some of the money already received for past orders – could be very damaging to some companies.

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime: $1.6043	New York lunchtime: DM1.89	FT-SE 100: 2,277.5 (–4.1)
London: $1.6025 (1.61)	FFr6.405	FT Ordinary: 1,857.8 (–8.4)
DM3.03 (3.035)	SFr1.6492	FT-A All Share: 1,153.22 (–0.3%)
FFr10.28 (10.2875)	Y142.65	FT-A long gilt yield index high coupon: 9.65 (9.76)
SFr2.635 (same)	London: DM1.8915 (1.8855)	New York lunchtime: DJ Ind. Av. 2,786.09 (+12.53)
Y228.75 (229.0)	FFr6.415 (6.39)	Tokyo: Nikkei 35,209.35 (–313.64)
£ index 91.4 (91.6)	SFr1.645 (1.636)	LONDON MONEY
GOLD	Y142.65 (142.30)	3-month interbank: closing 14⅞% (same)
New York: Comex Dec $367.8	$ index 70.3 (69.8)	
London: $383.25 (365.5)	Tokyo close: Y142.45	
N SEA OIL (Argus)	US LUNCHTIME RATES	
Brent 15-day Oct $18.55 (same)	Fed Funds 8¾%	
Chief price changes yesterday: Page 28	3-mo Treasury Bills: yield: 7.792%	
	Long Bond: 101¼ yield: 8.007%	

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Austria Sch22; Bahrain Din0.700; Bermuda $1.50; Belgium BFr50; Canada C$1.00; Cyprus C£0.90; Denmark DKr10.00; Egypt E£3.25; Finland Fmk7.00; France FFr7.00; Germany DM2.30; Greece Dr150; Hong Kong HK$12; Iceland IKR125; India Rup15; Indonesia Rp3,100; Ireland IR£0.60; Israel NIS3.50; Italy L2000; Japan Y600; Jordan FRs1.000; Kuwait FRs.500; Lebanon $L125; Luxembourg LFr50; Malaysia Ri4.25; Malta 40c; Mexico Pes300; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr10.00; Portugal Esc140; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta145; Sri Lanka Rup30; Sweden SKr10.00; Switzerland SFr2.40; Taiwan NT$65; Thailand Bht60; Tunisia Din0.800; Turkey L1200; UAE Dh7.00; USA $1.00.

OVERSEAS NEWS

Tokyo holds out against raising interest rates

By Ian Rodger in Tokyo

THE Japanese government is resisting pressure to follow interest rate rises in several European countries on Thursday, but many economists expect that the weakening trend of the yen will force Tokyo to take action within weeks.

The government itself was less categorical than usual in its denials of plans to raise the official discount rate (ODR). Mr Ryutaro Hashimoto, finance minister, said yesterday the economic situation did not warrant a rise in the ODR, but added that the monetary authorities would continue to watch closely foreign exchange and interest rate movements.

In similar circumstances last spring, before raising the discount rate from 2.5 per cent to its current 3.25 per cent level, finance ministry officials said their decision would be influenced only by domestic inflationary trends, not by foreign exchange rate movements.

Yesterday, the yen weakened significantly against the dollar in foreign exchange trading in Tokyo, the dollar closing at Y142.45, up Y1.40, despite heavy sales of dollars by the Bank of Japan intermittently throughout the session.

If the weakening trend continues, it would inflate the prices of Japan's substantial raw material imports and stimulate exports, thus slowing the process of reducing the country's huge trade surpluses. Mr Hirohiko Okumura, chief economist for the research arm of Nomura Securities, said: "If the dollar rose above Y145 for some time, the Bank of Japan would have to raise the discount rate".

Mr Okumura agreed with Mr Hashimoto that there was no need for a rise in interest rates at this time. He pointed out that short-term market interest rates were already fairly high in real terms. New three-month certificates of deposit were placed yesterday at 5.9 per cent, up 0.18 points from Thursday, while Japan's inflation rate was about 2.6 per cent. Also, fears that the economy is overheating were unwarranted, he said. The growth of domestic demand had come down from 6.3 per cent in the second half of last year to 4.2 per cent, which was close to the economy's long-term potential.

Mr David Pike, an economist at UBS-Philips & Drew in Tokyo, argued that the economy was overheating and that an interest rate increase would help dampen growth, especially in capital spending. "I see no reasons except political considerations and ministry of finance intransigence for not raising rates," he said. In the run-up to a general election expected in the next few months, the governing Liberal Democratic Party would prefer to avoid the unpopularity of an ODR rise.

Mr Ken Courtis, an economist with the Deutsche Bank group in Tokyo, suspected that at the recent meetings of finance ministers of leading industrialised countries, the Japanese government had accepted the role of locomotive for the world economy and so was reluctant to take any move that might slow domestic demand. "I think they are afraid that a slowdown in the US will affect confidence here."

Stefan Wagstyl adds: the Liberal Democratic Party yesterday gave a ringing endorsement to Mr Toshiki Kaifu, the Prime Minister, by re-electing him unopposed as party leader.

The party was due to have held the election later this month, but Mr Kaifu was the only candidate. He will be confirmed as party president at the LDP's annual convention on October 31.

Japan to deport Chinese refugees

JAPAN is to deport scores of Chinese boat people who came to Japan claiming to be Vietnamese refugees, Stefan Wagstyl writes from Tokyo.

Under an agreement reached yesterday with China 89 people are to be handed over to the Chinese authorities and sent back to China "as soon as possible", according to the Japanese ministry of foreign affairs. They could be followed by several hundred other Chinese believed to be among the 2,500 boat people who have landed in Japan this year.

Japan could face international criticism for its action, especially as its decision coincides with the warm welcome being given in West Germany to East German refugees.

China will punish the deportees in accordance with its laws on illegally leaving the country. Japan said yesterday that it did not believe any "cruel punishment" would be imposed but the matter was an "internal problem" for the Chinese authorities.

Japan's basic policy is to accept only political refugees. In practice, the country used to accept all Vietnamese without question but the government has changed its mind after a surge in the number of boat people this year, from 219 in the whole of 1988.

The 89 people to be deported – 86 men and three women – have been individually indentified by Chinese officials.

CoCom machine tool row unresolved

By Ian Davidson in Paris

THE disagreement between West Germany and the US, over whether to relax controls on the export of machine tools to communist countries, remained unresolved at this week's Executive Meeting of the Co-ordinating Committee on Multilateral Export Controls (CoCom), and has been passed upwards for decision at the high-level meeting of CoCom scheduled for October 25 and 26.

"Wide differences" still remain on the issue, according to a Western official. The West German Government is anxious to relax the CoCom controls, and the US anxious not to. In between, other member-countries acknowledge the strategic sensitivity of certain types of machine tools but say some of them are already being produced inside the Warsaw Pact.

This week's meeting is part of a review process to update the principles and procedures for controlling the exports of restricted exports, which was launched by CoCom governments in January 1988.

One of the objectives of the review is to simplify the rules governing trade in sensitive industrial products between the members of CoCom, while ensuring common standards of protection against unwarranted export to communist countries. At present, because of the much greater volume of trade between Western countries, the implementation of CoCom controls imposes a heavier burden for policing trade within CoCom than on trade with the East bloc.

In principle, CoCom governments appear to agree that this burden can best be lightened by instituting a system of general open licensing for many products, which could then be traded between member-countries without prior individual notification, even though their shipment would still be tracked by a documentary "paper chase".

The difficulty is that CoCom governments still differ markedly on which products should be included on a list qualifying for general open licensing, and which would still be subject to notification.

The US approach tends to be the most restrictive; the US claims that CoCom countries do not yet have "common standards of effective protection", though US officials decline to identify the black sheep.

Israeli cabinet rejects Cairo peace plan

By Hugh Carnegy in Jerusalem

AN Egyptian attempt to bring Palestinian and Israeli delegations together for peace talks in Cairo fell foul of the deep internal divisions in Israel's coalition government yesterday – although a way was left open for US intervention to keep the initiative alive.

After nine hours of argument over two days, the 12-man inner cabinet rejected a proposal by the Labour Party that Israel should accept an invitation from President Hosni Mubarak to meet a Palestinian delegation to discuss holding elections in the occupied territories.

The vote was actually tied because the inner cabinet is evenly divided between Labour and the hardline Likud Party led by Mr Yitzhak Shamir, the Prime Minister.

Cabinet rules say a motion is defeated in the event of a tie. But Labour ministers were careful to leave open the possibility of an eventual compromise. While chances of a coalition breakup were increased by the cabinet vote, both Mr Shimon Peres, the Labour leader, and Mr Yitzhak Rabin, the Labour Defence Minister, were not anxious for this.

Hungary's reformers come under fire

By Judy Dempsey and John Lloyd in Budapest

HUNGARY'S REFORMIST Communists were yesterday reined back by their party congress, in a series of moves which saw veiled attacks on Mr Imre Pozsgay, the most radical of the party's four-man leadership, by two other members of the quartet.

The pace of Hungarian reform is now in the balance – as is the continued unity of the Hungarian Socialist Workers Party (HSWP), many of whose members are evidently alarmed by the speed and manner in which the radicals have been shedding traditions.

Mr Pozsgay, however, concluded a low-key speech with an unequivocal assertion that the HSWP must wholly break with its past and enter into the West European Social Democratic tradition.

By contrast, Mr Rezső Nyers, the party president, and more pointedly Mr Károly Grósz, the general secretary, emphasised party unity and the continuity of at least some communist traditions, and obliquely criticised extreme radicalism as well as Stalinism.

Mr Grósz, who has attempted to hold a centrist position, said: "No-one has to give up his communist convictions to be a member of a renewed party." Mr Nyers criticised those who would "lead the party by messianic means" – taken to mean Mr Pozsgay.

The debate followed a closed pre-congress session on Thursday night at which it became clear that the radical reformists commanded only some 30 per cent of the 1,268 delegates.

All speakers committed themselves to the reformist programme which calls for pluralism, national independence and a market system. What is at issue is the speed of change and the amount of control the HSWP exercises over it.

Mr Pozsgay and his allies, who include Mr Miklos Nemeth, the Prime Minister, thus face this weekend a decision on whether or not they can live in the "renewed" party proposed by Mr Grósz.

Gorbachev arrives as Germans leave

By Leslie Colitt in East Berlin

THE beleaguered East German leadership wavered between political extremes on the eve of the country's 40th anniversary today.

The authorities cracked down fiercely on demonstrators in Magdeburg seeking to leave the country and barred many Westerners from entering East Berlin yesterday. But in an attempt to lower tensions in the Dresden area which led to two consecutive nights of violence, emigration papers were issued virtually on demand to citizens who applied.

Thousands of Westerners were turned back at crossing points in the Berlin Wall by East German border officials. Many of them were young people, including West German school classes on excursions to Berlin. "We must ensure the safety of Mikhail Gorbachev," an East German official explained. It appeared to be part of an East German strategy to blame the West for its problems.

In Magdeburg, near the West German border, a crowd of nearly 2,000 staged a silent march in the city centre on Wednesday night to underline their demand to emigrate. They were set on by riot police with rubber truncheons and 500 people were taken into custody.

Thousands of disbelieving citizens in Dresden queued at four offices of the interior ministry on hearing rumours that anyone wishing to leave the country would be immediately let out. By mid-afternoon hundreds of overjoyed citizens were clutching emigration permits.

"It's madness, the authorities think they can solve this country's problems by letting out some more people." Miss Bärbel Bohley, a leader of the New Forum opposition movement, said in East Berlin. She noted that this only embittered those who remained behind even more.

East Berliners, including many state security officials in plain clothes who stood in Frankfurter Allee watching Mr Gorbachev's limousine pass, applauded and waved flags. Less than a minute after the Soviet cavalcade was gone, thousands of Soviet and East German flags littered the wide boulevard.

"Everyone hopes he will talk to Honecker about reforms so that things will improve here," a middle-aged man said. "I don't think he will," a younger man noted. "We've been hoping for too long."

A mass meeting yesterday evening of opposition supporters in the Church of the Redemption in East Berlin adopted a declaration calling for all the new opposition groups to present joint candidates for the next East German elections.

They were originally scheduled for 1991 but could now be held next year. The last elections in May, in which the communists obtained 98.8 per cent of the votes, was called a sham by the opposition.

Greenspan confronts a Soviet whirlwind

By Quentin Peel in Moscow

WHEN Mr Alan Greenspan, US Federal Reserve chairman, hits Moscow this weekend, he may wonder what has hit *him*. He faces a whirlwind introduction to the furious debate on the future of the Soviet economy – every aspect of which is being called into question.

He will meet a central banker with no central bank, a deputy premier in charge of the state plan, another dedicated to dismantling it, and a string of radical, but still socialist, economists.

He will find a fear of rampant inflation where the official price index is only rising at 3 per cent, and an official exchange rate where the dollar is only worth 60 kopecks, but can actually fetch Roubles 12 or more. It all sounds like a central banker's nightmare – and it probably is. Mr Greenspan will have to suspend any puritan banker's instincts.

He has been invited by Dr Leonid Abalkin, the distinguished economist made deputy prime minister in charge of economic reform. He believes the whole central plan must be rethought from scratch. Mr Greenspan will also meet Mr Yuri Maslyukov, Gosplan chairman, just promoted to full member of the Politburo, and therefore politically much more powerful. What Mr Greenspan will make of the arcane apparatus of the central plan would be wonderful to behold.

Spare a thought for Mr Viktor Gerashchenko, Mr Greenspan's counterpart – as the new chairman of Gosbank, the state bank. Nothing further from a central bank could be imagined. He may ask Mr Greenspan for some hints. Gosbank acts as a printing press for the rouble mountain, obeying the Council of Ministers whenever a loss-making enterprise needs a hand-out.

Mr Gerashchenko wants his bank given the same independence Mr Greenspan has in the Fed – such as the power to say "No" to printing more cash. He favours raising interest rates to a realistic level, so he may have more in common with his counterpart than one might think.

At Vnesbekonombank, responsible for foreign trade relations, they have been trying to set up a currency auction for the past six months, to eke out their meagre supplies of hard currency among an infinite queue of bidders. The prospect of an effective devaluation of the rouble by a factor of 20 or more has scared them off. It seems unlikely Mr Greenspan can stiffen their resolve.

Then he will meet radical economists from the Congress of Deputies, such as Mr Oleg Bogomolov, who believes that "private property is fully compatible with socialism", and Mr Nikolai Petrakov, who reckons a realistic devaluation might well be to divide by a factor of 20.

An "exchange of views" is the reason for the trip. Whether he will go back inclined to let the Russians into the IMF, the World Bank, or Gatt, seems unlikely. But Soviet officials are not inclined to rush it, either.

BANKS WARNED OF 'VERY PAINFUL' CONSEQUENCES

Treasury pressure over Mexico debt

By Peter Riddell, US Editor, in Washington

THE US Treasury has stepped up pressure on the commercial banks to fulfil their debt agreement with Mexico, by warning that otherwise the consequences could be "very painful".

A senior Treasury official stressed that no more public money or enhancements from the International Monetary Fund, the World Bank and Japan would be provided. He also noted that Congress was considering legislation which would penalise banks which did not participate in debt reduction arrangements.

These remarks to reporters represent a significant intensification of Administration warnings following last week's appeal by President George Bush to the banks to back the debt reduction plan of Mr Nicholas Brady, the Treasury Secretary.

Considerable criticism of the Brady plan and doubts over its prospects have been expressed by bankers and financial officials, notably during last week's annual meeting of the IMF and World Bank in Washington.

This followed the announcement of large write-offs by big New York banks, which led to speculation that they would not advance the new loans central to the plan.

The official said he believed the banks would co-operate over Mexico and disagreed with the "rather facile judgements" recently made about the Brady plan.

However, he warned that "if the Mexican deal doesn't come together, it will have to be recut. That will be very painful, especially for the banks." He said the terms would be worse for the banks than currently offered and there would be no additional subsidies beyond those already announced.

The official said he was "confident the Mexican deal will come together" and he expected banks would be willing to make new loans. He added that "a lot of US banks will not be happy to have John Reed [the chairman of Citicorp and a leader in the debt negotiations] walking away with the future of Mexico". Citicorp has said it intends to provide new loans.

In late July, Mexico reached agreement with its creditors on a package offering the banks three options – accepting a 35 per cent reduction in principal owed, a similar cut in interest payments and new loans. Mexican officials and their advisers have just started a "road-show" in the US and overseas explaining their economic programme and the plan. Creditor banks have to decide on which options to choose before the end of this year.

A number of congressional committees are watching these developments closely. Bills have already been tabled which would require commercial banks which refuse to participate in debt reduction agreements to establish special reserves against their outstanding loans to the affected country.

Swiss Red Cross staff seized in Lebanon

By Lara Marlowe in West Beirut

TWO Swiss Red Cross workers were kidnapped yesterday in Sidon, 25 miles south of Beirut. No group claimed responsibility, but Abu Nidal's Fatah Revolutionary Council was the principal suspect.

Emmanuel Christen, 32, and Elio Enriquez, 23, both orthopedic technicians, were seized by masked gunmen as they climbed out of their car at Sidon's artificial limb centre and were driven off in the boot of a Mercedes.

Jordan arrests

The Jordanian government has arrested 12 members of the left-wing Popular Front for the Liberation of Palestine (PFLP), accusing them of smuggling explosives and helping infiltrators to launch attacks against Israel from Jordan, writes Lamis Andoni in Amman.

The Jordanian statement accused the PFLP of sabotaging the drive for peace launched by the PLO.

Tutu meeting

Archbishop Desmond Tutu and president F W de Klerk are to meet for the first time in Pretoria next Wednesday – a meeting the archbishop hopes will help create a climate for negotiations between black and white in South Africa, writes Jim Jones in Johannesburg.

He will be accompanied by Dr Allan Boesak, president of the World Alliance of Reformed Churches, and Dr Frank Chikane, general secretary of the South African Council of Churches.

Brundtland to go

Norway's minority Labour government, headed by Mrs Gro Harlem Brundtland, is to resign next Friday, thereby avoiding a confidence motion in parliament, writes Karen Fossli in Oslo.

Mrs Brundtland has remained in office since last month's inconclusive election, but on Monday a tripartite non-socialist coalition settled on a common platform and threatened a no-confidence motion unless she stepped down.

Burmese hijack

Two Burmese students hijacked a flight to Thailand yesterday and demanded that the military government in Rangoon release all political prisoners and pull all troops back to barracks.

Blockade lifted

Trains moved vital supplies into Soviet Armenia yesterday, ending a month-long blockade by workers in neighbouring Azerbaijan, Reuter reports from Moscow.

Fiat men in court

Mr Cesare Romiti and three of his senior colleagues in Italy's Fiat Group today face a court hearing into allegations that the health service in the nation's largest private company has been more interested in pushing injured workers back to work than in allowing them a proper recovery period, writes John Wyles in Rome.

The case is the latest battleground in the renewed conflict between Fiat and the Italian Communist Party which has adamantly maintains that workers' rights are gravely diminished by management practices at Fiat.

Mission aborted

Britain last night cancelled a human rights mission to the Soviet Union because one member of the British team was refused a visa, writes Edward Mortimer.

Mr Anatoly Adamishin, the Soviet deputy foreign minister who issued the invitation to Britain to "come and see the human rights situation for yourselves", said that the Rev Michael Bourdeaux, Principal of Keston College, would not be given a visa.

No reason was given for the ban on Mr Bourdeaux, a veteran campaigner for religious freedom in communist states.

Camel-racing's high-tech Sheikh steals a march on rivals

A traditional Bedouin pastime is being given a 20th century veneer, writes Tony Walker

WE "had some had news last night," declered Sheikh Faisal of Sharjah, gunning his Range Rover towards the desert before the dawn. "Sheikh Mohammed has entered one of his best camels."

Sheikh Mohammed Bin Rashid al-Makhtoum of Dubai is perhaps better known internationally as an owner and breeder of quality racehorses and also as the brother of Sheikh Hamdan, owner of Nashwan, the great English classic winner.

But among the camel-racing fraternity of the Gulf, he has emerged as a fearsome competitor with a 2,000-strong string of camels and a battery of 20-30 of the best Bedouin trainers east of Mecca.

Sheikh Mohammed's camel racing colours of white with a red hoop are s pervasive presence on the dusty desert tracks of the emirates in competition with the all-red colours of Sheikh Zayed bin Sultan al-Nahayan of nearby Abu Dhabi.

The long-simmering and sometimes less than chivalrous rivalry between Abu Dhabi and Dubai is most visible during the UAE's camel racing season from September to March. The quest is on for the perfect racing camel, and money, it seems, is no object.

"The situation has become very, very competitive," said an Australian vet and camel expert employed by one of the ruling families. "It's completely changed. Certainly now the sophistication in breeding and training is very high."

Among camel trainers and owners in the Gulf the talk is about bloodlines, training schedules, the best feed mix...and the possibility of establishing a camel sperm bank to improve the genetic strain of the local breed.

In all this, the innovative Sheikh Mohammed has stolen a march on his rivals as he applies training, breeding and feeding techniques learned in his thoronghbred stables in Europe. A traditional Bedouin pastime is being given a 20th century veneer.

At the Sharjah track, a 7km straight bounded by metal railings, it is just after 5am and a fiery sun is rising over the desert. The pungent smell of camels hangs in the air.

Owners, trainers, handlers and jockeys mill around as the camels themselves sit sedately on the ground as if the whole affair is a colossal bore: thoroughbreds they may be, but high-spirited they are not.

A starter in Arab robes armed with a starting pistol calls the camels into line and without much ceremony they are despatched with their loping gait down the track. They start off fast for a camel at perhaps 60kph, but soon slow to around 35kph.

Unlike thoroughbred horse-racing the spectacle is not something that quickens the blood. It is a slow motion sport where most of the excitement is generated among owners and trainers in their powerful four-wheel drive vehicles. They roar along the side of the track parallel with their racing camels blowing their horns and bellowing encouragement and instructions through clouds of dust to the diminutive jockeys, often in primitive Urdu, for most of the riders are from the sub-continent.

By a long head...new methods have transformed an ancient desert sport

The jockey themselves, fixed to a pad on the camel's back by Velcro sewn to their pants, are a curious sight bobbing up and down like ducks on a pond. Some are as young as four or five, and they weigh not much more than 15kg.

They are armed with sticks as big as themselves, and a few have radio receivers strapped to their chests to enable them to receive instructions during the race.

They whack the camels as the finish approaches, but this seems not to have much effect on these elegant and slow moving creatures.

Sheikh Zayed was the inspiration behind the revival of camel racing in the emirates about 15 years ago as part of an effort to preserve local traditions among the Bedouins of the desert whose way of life was being threatened by the easy money of the 1970s oil boom.

"We always had races in the past," said Sheikh Faisal, "but now it's more organised." Camel racing, in fact, has become a small industry, benefiting Bedouin camel breeders and handlers, and suppliers of feed such as alfalfa.

Prices of racing camels have also gone through the roof. A top performer might change hands for Dhs2m (about $500,000). At the Sharjah track a good deal of bargaining was going on between races which follow each other at short intervals.

An absence of bookmakers, since Islam disapproves of gambling, robs the camel races of some of the atmosphere of horse-racing in the West, but religious strictures do not prevent owners and trainers wagering on the side.

It is early in the season – camels do not race in the hotter months between May and September – and the big races are still some way off. Sheikh Faisal and the other princely owners are preparing their camels for the penultimate racing of the season in February and March on the circular tracks of Dubai and Abu Dhabi when prize money shoots to tens of thousands of dollars for one race.

This is like Royal Ascot week when the rulers pit their race-hardened camels against each other. The ubiquitous Sheikh Mohammed's colours are certain to be to the fore again this year.

Sheikh Faisal explains that one of Sheikh Mohammed's secrets is a secret formula he feeds his camels, said to contain natural honey, milk, butter, oats, barley and alfalfa. Supercharged with such a powerful dose of vitamins, Sheikh Mohammed's camels invariably lope to victory over their less well-nourished rivals.

The Australian vet, who did not wish to have his name published due to the sensitivity of his task of bridging the gap between his employer's camels and those of Sheikh Mohammed, said that improved feeding and training were resulting in a "pretty big difference in times."

He said camels were being blood tested and stress tested in an effort to improve performance. "Sheikh Mohammed is by far the most successful camel racer, and everybody is racing to catch up."

One of the difficulties, he explained, was to persuade the Bedouin trainers to switch to modern techniques, and to leave behind their centuries-old methods of conditioning their racing camels, in favour of a modern approach which puts a higher premium on hard training.

In 80 per cent of cases, the camels are female, for, it is said, the female of the species has more endurance. It is almost certainly no accident that the virtues of she-camels are extolled in the Koran.

Meanwhile, at the Sharjah track, Sheikh Faisal's camels have not had the best of days, but the youthful Sheikh was not at all dismayed. "No, I'm happy," he declared. "It's still very, very early in the season."

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OVERSEAS NEWS

Hawke bows to greens and blocks gold mine scheme

By Chris Sherwell in Sydney

THE Australian government, in a controversial move, has deferred for twelve months a decision which would allow a valuable gold, platinum and palladium mine to go ahead near the famous Kakadu National Park in the Northern Territory.

The deferral, pending inquiries on the mine's environmental impact and Aboriginal land claims, is a victory for Australia's influential Green movement over the country's mining industry – largely at the expense of the country's worsening external debt problem.

The move was announced late on Thursday night following the third cabinet discussion in a week, and yesterday it provoked angry exchanges among politicians, environmental groups and the mining lobby.

The decision confirms the Labor government's increasing responsiveness to pressure from environmental groups, starkly revealed earlier this year when it refused a go-ahead for an export-oriented paper and pulp mill worth A$1bn in Tasmania.

According to the Liberal opposition and business interests, both decisions are negative for mining, investment and the economy in Australia, dictated as much by electoral considerations as environmental concerns. Labor is seeking a record fourth term in the next election, due by mid-1990.

The announcement on the mine, known as Coronation Hill, was a major setback for the companies involved – BHP Gold, Pioneer International and North Broken Hill Peko – which estimate the deposit to be worth A$500m-A$800m in export earnings.

Just as serious, however, was the drastic reduction of 98 per cent in a 2,500 sq km exploration zone containing other mineral prospects worth A$7bn. The land will be "locked away" with the existing 20,000 sq km Kakadu Park, which will now include the entire catchment area of the South Alligator River.

The irony is that there are already two uranium mines in the main park, and Coronation Hill is itself an abandoned uranium mine. While tourism will claw back some of the lost mining revenues, some say this is even more of a threat to the park's beauty.

In the cabinet meeting, Mr Bob Hawke, the Prime Minister, who in 1986 and 1987 personally encouraged the mining companies over Coronation Hill, is said to have sided with Senator Graham Richardson, the Environment Minister, and Mr Gerry Hand, Aboriginal Affairs Minister, against the so-called "economic rationalists".

The meeting decided that the newly-crested Resources Assessment Commission would conduct an inquiry into the economic and environmental costs and benefits of Coronation Hill's development, even though the government has already accepted a comprehensive environmental impact statement on the project.

At the same time, the head of the Commission, Justice Donald Stewart, is to make a parallel investigation of the claims by the local Jawoyn Aboriginal community for land protection against mining. His reports are expected within twelve months.

BHP Gold said yesterday it was "astounded" at the outcome, and Sir Arvo Parbo, chairman both of BHP and Western Mining, said he "can't believe anything the government says any more". The Australian Mining Industry Council called the announcement a "devastating decision for investor confidence in Australia", and the Liberal Party said it would reverse the decision.

The Australian Conservation Foundation, which led the campaign against the mine, called the announcement "courageous". But the Wilderness Society said the proposed mine should have been stopped immediately and the entire exploration zone incorporated into the park.

CSR settles further 201 asbestos claims

By Chris Sherwell in Sydney

CSR, the Australian industrial group, has settled 201 more claims by former employees at its Wittenoom asbestos mine, finally ending a harrowing legal wrangle over the industrial disaster dubbed "Australia's Bhopal".

The settlement, announced yesterday by CSR and the Western Australian State Government Insurance Commission (SGIC), brings the total number of settlements to 322, costing the company about A$30m and the SGIC more than A$12m.

Around two-thirds of the claimants have contracted asbestosis, a debilitating dust-related disease similar to silicosis, and another 110 have contracted mesothelioma, a fatal cancer of the outer lining of the lungs.

The individuals' diseases arose from their time in the Western Australian township of Wittenoom, where Midalco, a CSR subsidiary, operated an asbestos mine producing for the home and export markets between 1943 and 1966.

CSR, now involved in building products, sugar processing and aluminium mining, has long insisted it was not negligent in operating the mine, given the state of knowledge at the time. It successfully defended its position in three cases between 1979 and 1987.

But in two cases concluded in 1988, courts in Victoria and Western Australia judged that Midalco and CSR had been negligent, and awarded significant damages.

CSR began settling claims, but clashed embarrassingly with the SGIC, which unexpectedly claimed its cover was "inoperative". Amid bitter accusations that victims were suffering unnecessarily because of delayed payments, the two finally agreed in April how they would fund settlements.

Although the total number of 322 is larger than the figure of 290 expected a year ago, yesterday's announcement, described as a "breakthrough", marks the settlement of the vast majority of expected claims.

CSR acknowledged that further claims were still expected, but said they would be "small in number and dealt with by negotiation promptly without recourse to legal proceedings".

The company's outlays of A$30m are less than expected. In its accounts for the year to March 1989, it made a A$35m provision for its total liabilities, plus another A$10.5m to cover legal and other costs arising from asbestos claims.

Significantly, about 2,000 people throughout Australia have been diagnosed as having contracted mesothelioma, and the number rises by about 200 each year. But only three cases have surfaced in the past year involving former Wittenoom employees.

Australian pilots may accept 6%

AUSTRALIAN airline pilots, whose pay battle has crippled the country's air services, may be prepared to accept a 6 per cent rise, their union leader said yesterday, Reuter reports from Sydney.

Captain Brian McCarthy said pilots might be willing to settle for the maximum possible pay rise set by the Government in face of the country's economic problems. "There is a 6 per cent limit but a concept of overtime payments," he added.

The airlines recognised that the union, the Australian Federation of Air Pilots, had a role to play in settling the dispute, after earlier refusing to negotiate with it, and this had cleared the way for arbitration.

"With that recognition, any arbitration could be taken back to the members for their decision," Mr McCarthy went on. "It depends on how much overtime the pilots work. If there is extra flying, and they want the pilots to do it, that will involve more money."

Despite the latest moves, the arbitration commission declined to set a firm date for any meetings, but both sides expect them next week.

Domestic airline services have been seriously affected since the 1,640 pilots working for the major companies quit on August 24 as part of the row over their 30 per cent pay claim.

Services are being kept up by aircraft flown by management pilots.

Khmer Rouge deny ambition to seize power by force

THE military commander of the Khmer Rouge said his guerrillas, feared throughout Cambodia for their ruthlessness, do not intend to take power by force in their homeland, Reuter reports from Bo Thamal, Cambodia.

Son Sen, commander of the Khmer Rouge and a close confidante of the movement's notorious leader Pol Pot, said military pressure would be brought on the Vietnamese-backed government in Phnom Penh to force them to share power.

"The pressure on the battle front is to force a settlement," he said, saying the two aims were to force all Vietnamese troops to leave Cambodia and establish a coalition with three guerrilla factions and the Phnom Penh government.

He was speaking to a small group of reporters in a jungle clearing near the Thai border on Thursday, a rare public appearance by any of the group's leaders.

Guerrillas in dark green Chinese-supplied uniforms and soft-topped Mao-style caps, carrying AK47 automatic rifles, formed up alongside white-shirted girl porters in a small parade for the reporters.

The guerrillas and their main backers, China and Thailand, dismiss as a sham the withdrawal last week of Vietnam's forces, sent in to its western neighbour in 1978 to oust the Khmer Rouge government.

Son Sen, who is defence minister of the loose guerrilla coalition headed by exiled Prince Norodom Sihanouk, said the Khmer Rouge would not try to go it alone in the struggle and needed its two less powerful allies.

He said his forces had co-operated with the non-communist Khmer People's National Liberation Front (KPNLF) and Sihanouk's forces in the capture of the small north-western town of Tma Pouk in an offensive which began last Saturday.

Son Sen, 59, a bespectacled graduate of the Sorbonne university in Paris, was defence minister with responsibility for the secret police during the 1975-1978 rule of Pol Pot, when more than one million people were killed.

A veteran of the communist struggle for control in Cambodia through the 1960s and 1970s, the Khmer Rouge announced in 1985 he had taken over from Pol Pot as commander of the guerrillas, estimated at between 20,000 and 40,000 men.

The Khmer Rouge, recognising its brutal international image, has said it accepts there should be checks on the possibility of it regaining sole power in Phnom Penh, but demands a share in government and the military.

Gesturing at wall maps showing sparsely populated border areas marked "liberated" in English, Son Sen said Sihanouk had recently been assured by Chinese leader Deng Xiaoping of full support until Cambodia was completely independent. But he said no sophisticated weaponry was needed. "In a guerrilla war we don't need tanks or artillery or airplanes – we are continuing with our guerrilla war."

The Khmer Rouge, which has infiltrated units in the forested hills deep inside Cambodia, runs long supply lines of porters carrying guns and ammunition from its bases inside Thailand.

Bangkok admits it gives logistical support but denies it provides other help such as artillery back-up, advisers or arms.

Son Sen said an immediate military aim was to capture the strategic Cambodian outpost of Pailin, in folds of wooded hills about 12 km (seven miles) from the Thai border.

"We want to capture Pailin as soon as possible but the problem is there are 3,000 Vietnamese there and they want to stay there forever," said Son Sen.

Son Sen presented five prisoners he said were Vietnamese soldiers captured in the Pailin area fighting. He said this was proof the Vietnamese had not all left and estimated the number still in Cambodia at 80,000. The five all spoke Vietnamese and said they came from Vietnam.

Spycatcher ban likely to go to human rights court

By Raymond Hughes in Strasbourg

THE GOVERNMENT faces further embarrassment in the Spycatcher affair as proceedings in the European Court of Human Rights become a stronger possibility.

The European Commission of Human Rights yesterday declared admissible for further consideration a complaint by The Sunday Times, the Observer and The Guardian over the Government's ban on publicity of allegations made in the memoirs Mr Peter Wright, a former MI5 officer.

The newspapers say the UK breached the European human rights convention's guarantee of freedom of expression when the Government obtained temporary injunctions against them in 1986 and 1987, preventing publication of the Wright allegations.

The injunctions remained in force until October 1988 when the Spycatcher battle through the UK courts was ended by the Law Lords' refusal to make the injunctions permanent.

At a private hearing before the commission in Strasbourg on Thursday, the newspapers argued that the widespread publicity given to Spycatcher, and in particular the book's publication in the US, had meant that there had been no pressing social need justifying the continuance of the temporary ban.

The Government, represented by Sir Patrick Mayhew, QC, the Attorney General, contended that the ban had been necessary to preserve the status quo until its claim for permanent injunctions had been dealt with by the courts. The temporary order had, the Government claimed, been needed to maintain "the authority ... of the judiciary" – a concept recognised by the human rights convention.

The commission, which announced its decision yesterday, morning, will now try to bring about a "friendly settlement" of the issue. If, as seems likely, that is unsuccessful, the case will go before the European Court of Human Rights for a ruling on whether the UK has broken its obligations under the convention.

- On Thursday, (oct 5) the Attorney General discontinued proceedings against a bookseller in Bath that had continued to stock Spycatcher in the face of a warning from the Attorney General that it might be in contempt of court.

The Attorney General felt it was no longer in the public interest to proceed. Contempt proceedings against a second bookseller will be discontinued next week.

GPs face criticism from Clarke

By Alan Pike, Social Affairs Correspondent

FAMILY DOCTORS have been failing to keep up with the more demanding attitudes of modern consumers, Mr Kenneth Clarke, the Health Secretary, said yesterday.

He told the Society of Family Practitioner Committees' conference, in Southport, that people were becoming more demanding as consumers of goods and services, and National Health Ssrvice patients expected services to be more tailored to their requirements.

The NHS family practitioner services were failing to keep up with that trend. "As patients, we get little information about what is available. We need the doctor's permission, or the family practitioner committee's, to change doctors. Ws are left with the feeling that complaints procedures favour the practitioner, and virtually nowhere are we asked for our views."

He said that the new contract which he proposes to introduce for general practitioners next year – even though it has been rejected by doctors in a British Medical Association ballot – would encourage GPs to attract and retain patients with good standards of service. Arguments that the contract would prompt GPs to spend less time with patients were "total nonsense."

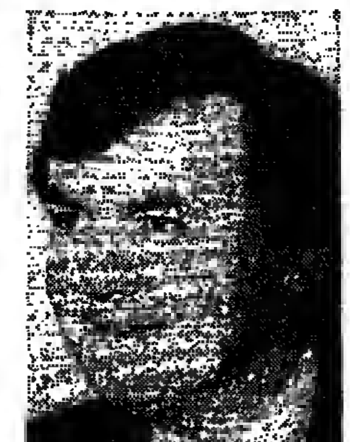
Mr Clarke said he was sorry that the doctors had rejected the new contract but "no group of people can claim to be totally free to decide for themselves exactly how they are to be paid." He had to represent the patients' interest in settling the contract.

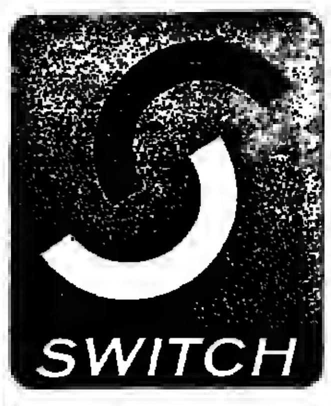
"Good GPs have nothing to fear and everything to gain from the new contract. It will provide new incentives for even higher standards in our family doctor service, which are required to underpin everything else we are doing to produce a better NHS for patients," he said.

UK NEWS

Banks reach for the 'on' Switch

David Barchard looks at the turbulent history behind debit cards





Mr Derek Wanless: need not accept new members

THERE was much head-shaking among the pundits of the British credit card industry when National Westminster, Midland, and Royal Bank of Scotland announced the launch of the Switch all-electronic debit card 18 months ago.

The card is less flexible at the retail end because, unlike Visa or MasterCard, it cannot be used with paper vouchers as well as on electronic terminals. It has no chain of retail outlets yet and it cannot be used outside the UK.

The banks in the Switch consortium were thus committing themselves to an arduous agenda that would include getting the system for the card up and running, selling it to retailers, and promoting the card's concept.

The existing debit card issuers, Barclays and Lloyds, had chosen a much easier route.

Barclays issued Connect, the first UK debit card, in June 1987, carrying the Visa branding.

The card encountered vociferous protest from retailers at the time, when Barclays tried to impose percentage charges analogous to those on credit cards.

The storm subsided when Barclays backed down and offered the retailers a flat fee per debit card transaction.

The effects of the disagreement were far-reaching. A Midland debit card linked to the Vector account was abandoned.

With the exception of Lloyds, which launched its own Visa debit card in the summer of last year, the other banks retreated in the face of retailers' protests.

Switch has been designed with retailer preferences in mind and it has won backing from Sainsburys, which is the largest retailer so far to sign up for it.

It is also being considered for trial runs with Marks and Spencer, a retailer that has never accepted either Visa or MasterCard.

It further meets with the approval of Mr Bob Woodman, director of the Retail Consortium, the body that handles negotiations with the banks for the big retailers.

The charging system for Switch differs from that of credit cards in several ways.

Not only is there a flat fee per transaction rather than a percentage commission, but in bankers' jargon there is a "negative interchange fee".

That means that the bank which issues the customers' card pays the bank handling the retailer-processing, rather than the other way round.

That rather technical detail is the key to the approval Switch has found with retailers, at a time when banks are engrossed in negotiations with them over the installation of electronic terminals and the shift away from cash and paper payments.

The decision by Lloyds and Barclays to join Switch follows the recommendation in the summer by the Monopolies and Mergers Commission report on credit cards, that banks should be allowed to sign up retailers as soon as they join a payment card organisation and not wait until they have issued a large number of cards to their customers.

For Mr Woodman and the retailers, Switch opens the way to real competition between banks in the plastic cards business.

In their view, the fixed 1 per cent interchange fee in each credit card transaction which Visa card issuers receive from the retailer's bank is the bond holding an uncompetitive cartel in being.

As a result, the retailers' groups have been pressing the Government, since the publication of the Monopolies and Mergers Commission Report on credit cards in August, to take action against the interchange fee.

It is easy to see the conflict of interest between the retailers and the banks. It is less easy to understand why a split has emerged among the banks.

Debit cards touch on two sides of a bank's business: its relations with retailers and its relations with current-account customers.

As far as current-account customers go, the banks' work is confined to distributing the cards and encouraging customers to use them in place of cheques.

Connect and the Switch cards are issued to customers in place of cash machine and cheque guarantee cards.

All the large banks now compete against each other to handle retailer credit card business.

This competition could lead to the provision of a wide range of banking business.

Barclays was already processing all Visa UK retailer card services when competition in this field erupted. Barclays thus found it easy to add on MasterCard facilities.

Lloyds saw the way the market was going early on and slipped into the market first.

NatWest and Midland were later entrants into the market. Their significant advantage was that they could offer retailers a third card system, Switch, operating alongside the two international card systems.

Both Midland and NatWest realise the limitations of electronic card processing and they are working on a new generation of smaller electronic terminals suitable not only for giant retailers, but also for corner stores.

Ironically, the way for these has been blazed by a Barclays product, PDQ3, a small electronic terminal.

This is one area where Lloyds, usually the bank most alive to changes in the credit card market, may be lagging behind its competitors.

Switch's appeal to the retailers has been increased by the fact that it is cheap enough to have encouraged a wave of applications from smaller banks to join.

Royal Bank of Scotland and Yorkshire Bank have already signed up. Halifax and several other large building societies are close to joining.

From that arises the growing pressure on Barclays and Lloyds to add Switch to the range of card services that they are able to offer to the retailers.

The Monopolies and Mergers Commission inadvertently gave them further encouragement by demanding an end to Visa's rule obliging member banks to have issued a large number of cards before signing up retailers for processing services.

Banks that offer Switch have made clear that if Barclays and Lloyds are joining without the intention of issuing cards, their application may in the end not be accepted.

Mr Derek Wanless, general manager at National Westminster, says: "There is nothing that obliges card systems to accept new members."

If that is the case, a fight may be looming and there has even been talk of Barclays and Lloyds preparing to take Switch to the Office of Fair Trading if they are rebuffed.

Another view is that the banks, conscious of the challenge from the retailers to their long term survival, may choose to hang together once more.

One banker, originally a fierce critic of Switch, said this week: "I think what we are seeing is really convergence among the banks and recognition that we must have a common debit card system."

UK NEWS

UDR will face tougher vetting after Irish talks

By Ralph Atkins

BRITAIN IS understood to have agreed to strengthen the vetting of members of the Ulster Defence Regiment in the wake of the recent alleged leaks of security information to loyalist paramilitaries.

The softening of the Government's stance is understood to have come during eight hours of talks between Irish and British ministers in London on Thursday under the Anglo-Irish agreement, which otherwise made little headway.

It emerged yesterday that the talks are to resume within the next month. Ministers are anxious to continue discussions as soon as possible, in spite of serious disagreements between the two governments, particularly on reform of the UDR.

Thursday's discussions continued an eight-hour meeting in Dublin last month. The snail's-pace progress has put strain on the four-year-old Anglo-Irish agreement under which the two governments hold regular conferences.

While agreeing to strengthen UDR vetting, Britain, it is understood, Britain pointed out the practical difficulties of

Peter Brooke: opportunity for a meeting of minds

policing the province. The UDR is dominated by Protestants and carries out more than 80 per cent of army duties in Northern Ireland.

The Irish Government remains concerned about many operational procedures – including the decision by Mr Peter Brooke, the Northern Ireland secretary, to issue the UDR with plastic bullets. The Irish argue that confidence in the security forces has to be restored if IRA violence is to be beaten.

Thursday's discussions also focused on allegations that there has been a stream of leaks from the UDR and the Royal Ulster Constabulary to loyalist paramilitaries about IRA suspects.

The RUC has warned several people that their identities are believed to have been leaked to terrorists.

Mr Hugh Annesley, the RUC Chief Constable, has moved to allay nationalist fears by appointing Mr John Stevens, the Cambridgeshire Deputy Chief Constable, to hold an inquiry into the leaks.

Yesterday, officials from both governments were emphasising that the talks saw some meeting of minds. They provided an opportunity for Mr Brooke, who moved to the Northern Ireland office in July, to establish a relationship with Mr Gerry Collins, the Irish Minister for Foreign Affairs.

The official statement after Thursday's meeting said the two governments were committed "to the process of dialogue and co-operation enshrined in the agreement."

Suitors ready if Knighton fails in bid for Manchester United

By Ian Hamilton Fazey, Northern Correspondent

MR AMER MIDANI and Mr Nigel Burrows, both minority shareholders and directors of Manchester United Football Club, have emerged as possible buyers of the first division club if Mr Michael Knighton fails in his bid to take control.

Mr Midani, backed by substantial family wealth, is well known in the Manchester financial sector, where he is advised by several leading professionals. According to one of them yesterday, Mr Midani flew to Spain to attend to business interests on Thursday, "well content" with recent discussions.

Mr Knighton, a property dealer, has been in talks with Mr Owen Oyston, the Lancashire property and local-radio entrepreneur, to secure financial support to complete his takeover.

His bid relies on buying the majority holding of Mr Martin Edwards, the present chairman, for £10m. The option expires on October 18, and Mr Knighton would also have to buy out the other shareholders, most of whom oppose him. It is in that part of the deal that he has run into difficulty.

Mr Knighton's plan is that he would become chairman and Mr Edwards chief executive. However, Mr Edwards is now taking legal action against Mr Knighton over alleged disclosure of confidential information about the club to Mr Oyston. He has secured a temporary injunction and the hearing is due for resumption on Monday.

Mr Oyston can buy into Mr Knighton's deal only if he reduces his holdings in Blackpool Football Club from 75 per cent to below 10 per cent, the Football League said yesterday.

The league also expressed "grave concern about the recent uncertainty" surrounding Manchester United, and Blackpool and hoped the matters would be "brought to an early conclusion."

Met Office will be run as agency

By Richard Evans

THE Meteorological Office is the latest in a lengthening list of Government-controlled organisations that will be run as an agency with a large degree of commercial independence.

The Ministry of Defence, which controls the Met Office, announced yesterday that it would be given executive agency status from April 1990 as part of the Government's so-called Next Steps Initiative, which is aimed at giving a wide range of public-sector organisations more independence and a sharper commercial attitude.

The Met Office will remain part of the Ministry of Defence but will receive a new charter. Tight performance targets will be coupled with greater managerial flexibility to achieve them and there will be incentives to make full use of its assets by taking on further commercial work.

The chief executive of the agency will be Dr John Houghton, who was appointed director-general of the Met Office in 1983.

He said yesterday: "Agency status will help the Meteorological Office to provide more efficiently its professional services for defence, civil aviation and the general public, and take up opportunities in the commercial market."

All government departments have been asked by the Prime Minister to put forward further candidates for agency status, which is regarded as a half-way house to privatisation.

Rail link across London likely to be cancelled

By Kevin Brown, Transport Correspondent

THE GOVERNMENT'S £2bn Crossrail plan to ease London congestion appears likely to be cancelled because of the unwillingness of the Treasury to provide sufficient public finance.

Crossrail was the main recommendation of the Central London Rail Study, announced in January by Mr Paul Channon, the former Transport Secretary. Now a vital element of the scheme – an underground British Rail link between London's Liverpool Street and Paddington stations – appears to have lost a battle for funding.

It has been reported for several weeks that the Treasury was unwilling to provide funds for both the Crossrail link and a proposed extension of London Underground's Jubilee Line from central London to Docklands.

Mr Cecil Parkinson, the Transport Secretary, was told by the Treasury to choose between the schemes, and is expected to announce his decision at the Conservative Party conference next week.

British Rail officials said privately yesterday they had been told the Jubilee Line extension would go ahead because Docklands property development might be threatened without it.

The £900m Jubilee Line scheme also has the advantage that it will be partly funded by developers, although the Government is thought to have failed to persuade the private sector to put up half the cost.

However, it will not help to reduce congestion in central London, as Crossrail would have done.

The Central London Rail Study suggested two alternative ways of increasing public transport capacity in central London. Both revolved around a new east-west BR line between Liverpool Street and Paddington/Marylebone, with links to the east coast and Heathrow airport.

Mr Channon approved the proposals in principle, but was unable to say how the scheme would be financed, in spite of lengthy discussions with the Treasury.

Launch by Deutsche Bank

DEUTSCHE BANK is making its long-awaited entry into the UK institutional fund management business with the launch on Monday of Deutsche Bank Capital Management (UK), writes Barry Riley.

Deutsche is starting from scratch rather buying an existing company. "It would be perceived by the market as a sign of weakness if we could not do it ourselves," said Mr William Richards, who was hired from Sun Life Fund Management last April to set up the new operation.

He has recruited Mr Roger Bartley from Chase Manhattan Bank as chief investment officer, fixed income. Another top position has gone to Ms Rosamund Price, formerly investment manager of Caviapen, advisers to the Civil Aviation Authority pension fund.

HOME OWNERS BRACED FOR HIGHER MORTGAGE RATES ● UNIONS PREDICT TOUGHER PAY ROUND

Dreams lie broken as yuppies feel the pinch

By Rachel Johnson

THE YUPPIES who took on large mortgages in the expectation of rising earnings and increasing property values are among those most exposed to rising interest rates and the downturn in the housing market.

Dominic Turner, 24, is a freelance photographer living in a three-roomed basement flat near Shepherd's Bush roundabout, west London.

To pay his £25,000 Abbey National mortgage, he shares his three rooms with two rent payers. Unable to afford an office, Dominic uses his bedroom as a darkroom. The expected rise in mortgage rates will force him, unwillingly, to increase his lodgers' weekly rents.

Sophie de Brandt, 25, a public relations officer, is in a worse position. Just as she has taken out a £30,000 mortgage, she finds the new interest rates "come as a terrible blow to those trying to break into the London housing market."

On a salary of £18,500, she expects to have much less money to spend. But she says her co-investor, a teacher on a salary of £9,000, will feel the pinch much more.

So will Cindy Babski, 29, working for CBS in London and earning a salary of £23,000.

She has a £80,000 mortgage on a flat in Barons Court, west London, which she bought in February this year after moving from Stockholm, Sweden.

She said: "Even before I made the first payment on my flat the mortgage rate had started rising. I began paying just over £600 a month, then soon after it went up again to around £660.

"I really have to stretch hard to make the repayments. The first time it went up, it was down to cheese and crackers. I don't know what I'll do if it goes up again. I'll have to stop using the phone and stop going out. I live in a tiny flat so I couldn't take in a flatmate."

She adds: "Britain is very expensive. I don't buy new clothes any more at all."

A self-employed writer, Candida Crewe, also buys very few new clothes.

Her mortgage cost £110 a month in May last year, £139 a month before yesterday's rise and will cost £149.11 from now on. She awaits with dread the formula letter from NatWest Home Loans saying her mortgage payments have been "amended".

For some yuppies, with trust funds or substantial incomes, a 1-percentage-point rise will not be too disastrous.

One couple with two children and a dog bought their house in Islington 18 months ago for £185,000 and spent £30,000 on it. It is now worth about £260,000.

They say: "The mortgage rate increase hasn't had any effect on our life style at all, because we've been cushioned by other factors and we were not mortgaged up to our full capacity at the start.

"But it does mean we have put off a decision to buy a second property we were hoping to buy outside London."

Retailers fear cuts in Christmas spending

By Maggie Urry

RETAILERS were reeling from the shock of Thursday's base rate rise yesterday and the prospect of another mortgage rate rise before Christmas – their most important trading period.

Shops fear that people will cut spending at Christmas and in the January sales. A typical response among retailers is that the rise will make an already difficult trading climate even worse, and that it is unnecessary and an overreaction.

Retailers have been revealing profit falls as the result of high interest rates now beginning to filter through to the shops.

The latest sales figures from John Lewis department stores show that sales in the week ended September 30 were 9.4 per cent down and the cumulative sales for the nine weeks to the same date were only 1.2 per cent up on the same period last year. The group had budgeted for sales in its second half-year rising by 5 per cent.

The sales are poor even though a new store has been opened at High Wycombe, Buckinghamshire, and the company's store in Edinburgh has been expanded by 40 per cent in size. Taking inflation into account as well, that suggests a significant fall in sales in comparable stores.

Waitrose, John Lewis's food retail chain, is faring better, with sales running 7.6 per cent up in the second half so far – above the target of 6.1 per cent sales growth.

On Wednesday, Sears, the UK's biggest footwear retailer and owner of Selfridges, reported a 13 per cent fall in its first-half profits. Mr Geoffrey Maitland Smith, Sears' chairman, said then that a rise in mortgage rates before Christmas would make him very pessimistic for the second half. On Thursday, Next, the fashion retailer, announced half-year profits nearly halved.

City analysts believe that retailers are themselves partly responsible for the discomfort they are experiencing. Many retailers expanded rapidly when consumer spending was more buoyant in the earlier 1980s and they were continuing to do so as interest rates began to rise.

That meant that even though consumer spending has held up more firmly than the Government had hoped, there were still too many shops chasing a limited volume of business.

Unions hope for cheer in pay negotiations

By Charles Leadbeater, Labour Editor

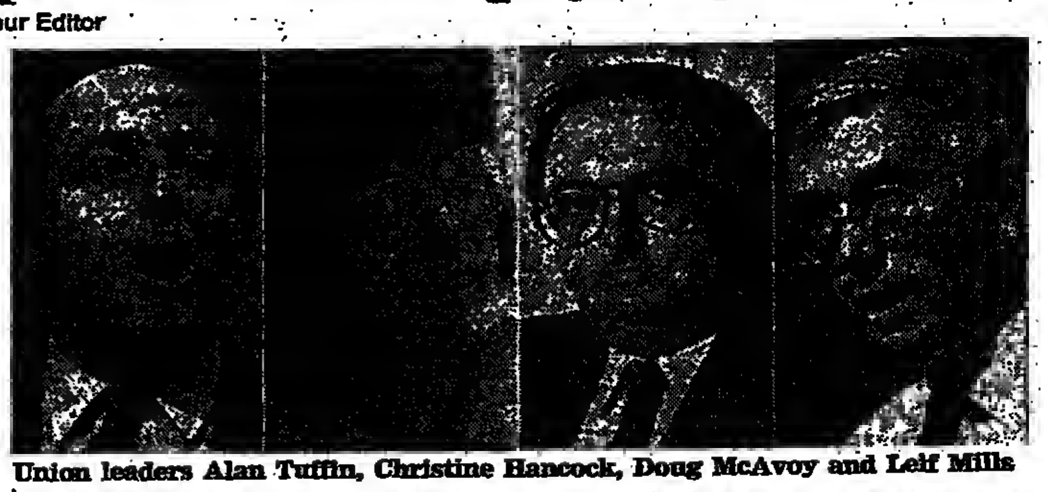
MR JACK ADAMS, the chief union negotiator at Ford, was in phlegmatic mood.

The claim for 33,000 Ford manual workers was drawn up before the rise in interest rates, but it will affect the talks which started this week. "We will want to see it reflected in the settlement. We were already seeking a substantial rise. This is going to strengthen the resolve," he said.

The spread of home ownership in the 1980s means manual workers are particularly vulnerable to movements in mortgage costs. A recent survey by the AEU engineering union found that 48 per cent of its members had mortgages.

Motor company negotiators at Ford and Vauxhall had been hoping inflation would fall this autumn, helping to slow the pay momentum that followed this summer's series of 8.8 per cent pay settlements in the public sector and private-sector deals of over 9 per cent at Imperial Chemical Industries and British Telecom.

The next significant negotiations will be for about 130,000 staff at the Post Office. Mr



Union leaders Alan Tuffin, Christine Hancock, Doug McAvoy and Leif Mills

Alan Tuffin, general secretary of the UCW Post Office union, said last night he would seek at least 9 per cent.

From there, the pay bargaining baton will be taken up by unions in banking and the public sector.

Mr Leif Mills, general secretary of Bifu, the banking union, is already pressing for large increases in allowances for staff in London and the south-east to reflect higher living and housing costs.

About 30 per cent of workers in clearing banks are cushioned by concessionary mortgages, but the union said yesterday it would take the interest-rate rises into account in framing pay claims for the clearing banks.

Health and teaching unions will present their cases in the next few weeks for rises above the inflation rate. The reports of their pay review bodies in April next year are their first opportunity to make up the ground they lost when higher-than-forecast inflation over the previous year ate into last April's rises of 6.8 per cent for nurses and 6 per cent for teachers.

Relatively few single nurses have mortgages, but the Royal College of Nursing, led by Ms Christine Hancock, its new general secretary, said yesterday the interest-rate rise meant it would stick all the more strongly to a claim for a rise above inflation.

Consumers see rising income as cushion

By Patrick Harverson, Economics Staff

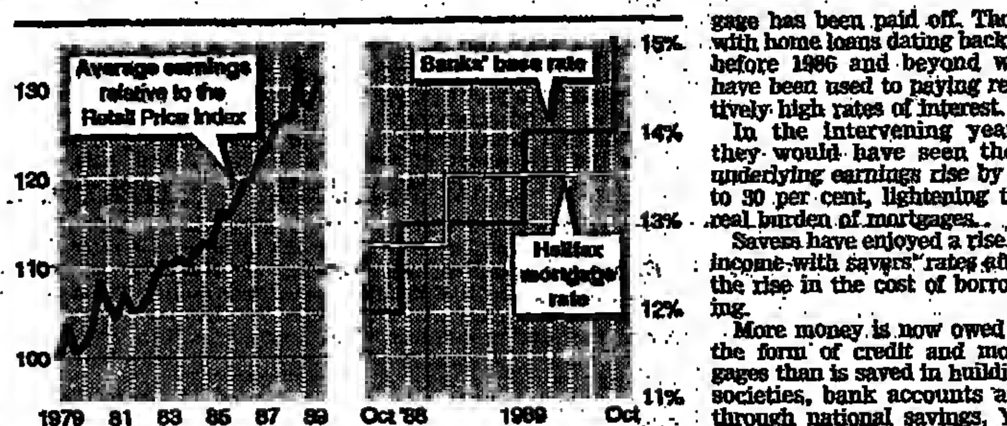
THE LESSON of the past 16 months of high and rising interest rates has been that consumers will carry on spending at a steady rate if they think their disposable income is rising faster than inflation.

The latest rise in interest rates to 15 per cent might be expected to shock consumers into finally slamming on the brakes. Yet the effect of dearer debt will continue to be diluted if incomes go on rising steadily.

The growth in average earnings throughout this year, at 9.25 per cent annually, has outstripped both the retail price index (annual rate of 7.3 per cent this year) and the tax price index (at an annual 7.4 per cent), which measures the increase in gross taxable income needed to compensate taxpayers for any increase in retail prices.

As expected, the growth in expenditure on household items, particularly on do-it-yourself, electrical goods and furnishings, has fallen with the downturn in the housing market.

The growth in spending on



services, such as holidays and entertainment, has been maintained at a steady rate. Overall consumer spending has slowed, but not as quickly as the Government had hoped.

As one City economist put it yesterday: "People are used to going abroad on holiday, eating out at restaurants and driving a nice new car, and are, therefore, slow to adjust spending to their true financial circumstances."

Even consumers who have been net losers because of large mortgages have changed their spending habits little.

Some people end up borrowing even more to maintain spending, or just to pay off their debts. That is known as "distress" borrowing.

It would wrong to assume higher mortgage rates restrict the spending power of all British households.

More than half of Britain's households have either never had a mortgage, or their mortgage has been paid off. Those with home loans dating back to before 1986 and beyond will have been used to paying relatively high rates of interest.

In the intervening years, they would have seen their underlying earnings rise by 20 to 30 per cent, lightening the real burden of mortgages.

Savers have enjoyed a rise in income with savers' rates after the rise in the cost of borrowing.

More money is now owed in the form of credit and mortgages than is saved in building societies, bank accounts and through national savings. Yet growth in the personal-sector deficit has been more than offset by the rise in real earnings.

The people who will clearly suffer from high interest rates are those who borrow through credit cards, charge cards and more traditional sources of lending such as bank and building society loans.

It is here that the dearer cost of borrowing is likely to have the most direct impact on spending habits.

Lex, Page 28; Mortgage pain, Weekend, Page III

End in sight for VAT on stockbroker commissions

By Richard Waters

THE GOVERNMENT is expected to confirm early next week that it plans to abolish value added tax on stockbrokers' commissions and unit trust managers' fees from January 1.

The move, prompted by the European Commission's 18th value added tax directive, will lead to higher costs for some financial institutions. Once their income is exempt from VAT, they will no longer be able to recover the VAT that they have paid on their purchases.

The Stock Exchange said yesterday that brokers were likely to raise their commission rates to compensate, but the increase would be less than the 15 per cent VAT saved by investors.

The 18th directive is part of the move to create a single European market in financial services. There will still be VAT on other services, such as fund management.

The draft order introducing the change, due to be published by Customs & Excise early next week, will not give financial institutions the "option to tax" several had requested – allowing them to apply VAT voluntarily.

Inquiries to pensions advice service up by 50%

By Eric Short, Pensions Correspondent

THE Occupational Pensions Advisory Service, a charity set up to handle complaints from the public, received some 3,000 requests for help in the year ending on March 31 – 50 per cent more than in the previous year.

Of those requests, 870 required detailed investigation by one of the service's advisers – slightly more than in the previous year.

The annual report of OPAS, published yesterday, showed that four out of five inquiries were from men and the same proportion of inquiries were from people aged over 50.

Over a third of the inquiries related to benefits available from a previous pension scheme when an employee changed jobs. A further quarter related to whether the claimant was entitled to a benefit and the amount of such benefits.

The legislation governing the pension rights of employees is complex, particularly for those with many years' service. OPAS is finding that a few administrators have difficulty in ascertaining the correct benefit entitlement.

OPAS, 8a Bloomsbury Square, London WC1A 2LP.

Cable TV focus on Manchester

By Raymond Snoddy

THE Cable Authority announced yesterday that it was seeking applicants to connect a further 1m homes to cable television including all of Greater Manchester.

The seven new franchise areas – ranging from Bury and Oldham to Dover and outer London – bring to 93 the number of franchises either advertised or awarded. Together they cover more than 11m homes.

Mr Jon Davey, director general of the authority, which regulates the cable television industry in the UK, said yesterday: "We are delighted that today's announcement takes our franchising programme past the point at which half the country will be cabled."

Actual progress in getting cable in the ground has been slow. About 1.5m homes have some form of cable television available

Thatcher's US visits

MRS Margaret Thatcher, the Prime Minister, will address the United Nations and meet President George Bush in two US trips next month, No 10 Downing Street announced yesterday.

Mrs Thatcher's UN speech on November 8 is expected to concentrate on the environment.

On November 24 she will hold informal talks with President Bush at Camp David. Downing Street said it had been planned to combine the trips but this had proved "impractical."

Rise in total sales masks 'supermini' fall

THE DROP of more than 10 per cent year-on-year in new car sales last month is the result of higher interest rates at last hitting purchases by private motorists, several vehicle makers suggested yesterday, writes John Griffiths.

They said they detected little sign of purchases by fleets and other businesses being seriously affected by the Government's monetary squeeze. Retail sales in the "supermini" sector, typified by the Ford Fiesta and Rover Metro and where private buyers predominate, are said to have been particularly badly affected.

Mr Pierre Boisjoly, managing director of Citroen, said the private buyer "supermini" sector declined by 15 per cent in both August and September, even though total August new car sales exceeded 500,000 units

UK CAR REGISTRATIONS

	September				Year to date			
	1989		1988	%	1989	%	1988	%
Total market	171730	100.00	191121	100.00	1919338	100.00	1826759	100.00
UK produced	68801	40.06	88141	46.12	821796	42.82	798352	43.70
Imports	102929	59.94	102980	53.88	1097542	57.18	1028407	56.30
Ford	34421	20.04	52162	27.29	506755	26.40	487426	26.68
Rover group	24927	14.52	31528	16.50	262960	13.70	279996	15.33
Vauxhall/Opel	26328	15.33	23300	12.19	285448	14.87	246934	13.52
Peugeot/Citroen	19655	11.45	18404	9.63	177687	9.25	158524	8.68
Audi/VW/Seat	11004	6.41	11318	5.92	115691	6.02	104774	5.73
Nissan	11871	6.91	10219	5.35	119706	6.24	109039	5.97
Renault	6232	3.63	10116	5.29	71585	3.73	72992	4.00
Volvo	8397	4.89	4983	2.61	67473	3.52	63589	3.48
Fiat/Alfa/Lancia	4943	2.88	4291	2.25	66659	3.48	67227	3.68

Source: Society of Motor Manufacturers and traders

UK NEWS – THE LABOUR PARTY AT BRIGHTON

Kinnock says he is ready to be PM

By Michael Cassell and Ralph Atkins

MR NEIL KINNOCK, the Labour leader, yesterday ended a successful party conference at Brighton by claiming that he was "fit and ready" to be Prime Minister and that the country was in tune with his party's new policies.

He said that any attack on his personal leadership qualities by the Government would be regarded by the electorate as a "pathetic and desperate" attempt to salvage its own position.

Mr Kinnock claimed he was qualified to become Prime Minister because he loved his country and because he was "truly representative" of the British people, who shared his aspirations for economic success and social justice.

Labour's confidence was raised still further at the end of a good week with the publication of an NOP opinion poll which puts the party nine points ahead of the Tories.

The poll, conducted earlier this week before the increase in interest rates, gives Labour 46 per cent support, with the Tories trailing on 37 per cent. The Greens are in third place on 7 per cent, and the Social and Liberal Democrats have 5 per cent.

There is also a personal boost for Mr Kinnock, whose satisfaction rating among voters is put at 48 per cent, well ahead of Mrs Thatcher on 39 per cent. According to Mori, 66 per cent of voters are now dissatisfied with the Government's record.

With the Tory Party conference starting on Tuesday, ministers are preparing for a rougher-than-expected ride at the hands of delegates worried in particular about the economic situation and its impact on their traditional supporters.

A counter-attack by ministers against Labour leaders and the party's policy review has begun already. Mr Nicholas Ridley, the Trade and Industry Secretary, will warn today that left-wingers are plotting take over Labour.

In a speech to Cheltenham Conservatives he will argue that the opposition party will say anything to win votes. But if it ever succeeded in winning power there would be a "coup d'état."

"Labour's left-wingers are the dogs that don't bark in the night. They don't bark because they recognise the only hope of a Labour win is under the well-packaged newly-moderate Mr Kinnock," he will say.

Yesterday Mr David Trippier, the environment minister, said that Labour proposals on green issues were "just recycled waste paper."

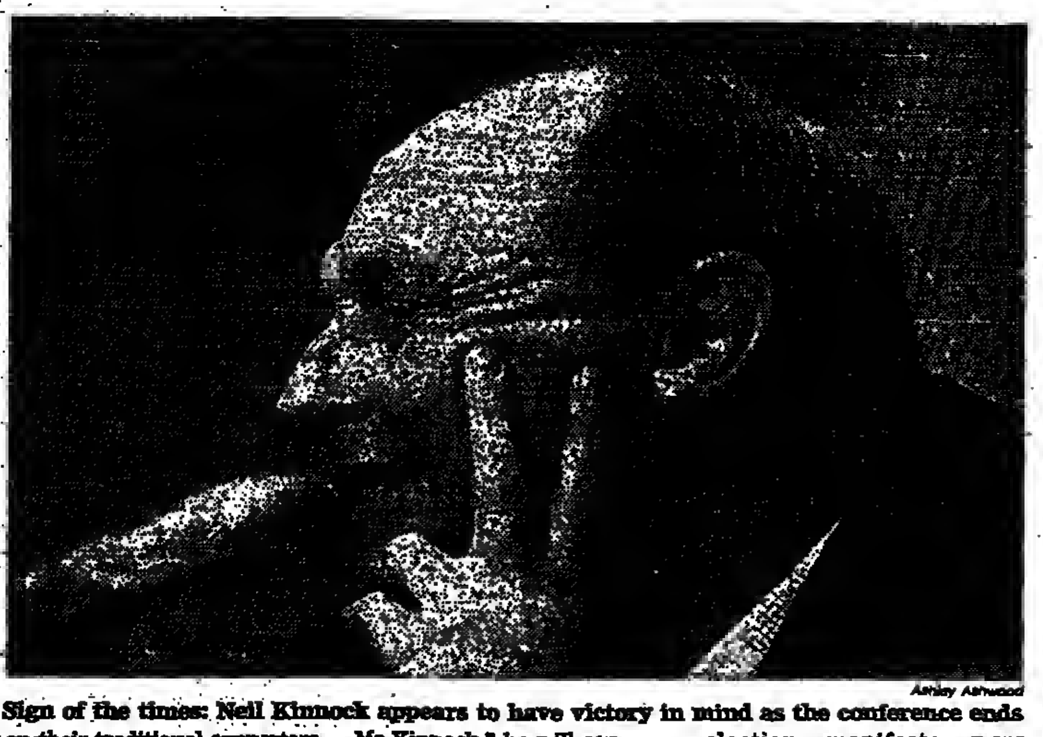
He said: "The trouble with Labour is that they still think, 10 years on, that the solution to every problem is persecution of private industry, more power and money for Socialist councillors and a greatly expanded bureaucracy."

And that's just the package they offered this week."

The Labour leadership on the other hand believes it achieved everything it set out to do at this week's conference. The policy documents which will form the basis for its next election manifesto were endorsed and the party will now begin more detailed consideration of the policies it intends to popularise.

Mr Kinnock made it clear yesterday that the process of internal reform intended to make the party more representative will now receive top priority.

The Labour leader is determined to further extend the principle of one-member, one-vote throughout the party organisation. Proposals for a revised system of policy-making, including the reduction of the role of the union block vote, are now the subject of wide consultations within the Labour movement.



Ashley Ashwood

Sign of the times: Neil Kinnock appears to have victory in mind as the conference ends

'Dirty side' of handling extremists defended

By Lisa Wood

THE EXPULSION of extremist elements in the Labour Party, such as Militant Tendency supporters, was defended by Mr Ken Cure, a member of Labour's national executive.

Mr Cure was replying to demands, by Labour Party constituency members, that reports on investigations such as that into the Southwark-Bermondsey party – where evidence of Militant Tendency involvement was found – be referred back for further consideration. A card vote rejected this course.

"There is a lot of emotive reaction on this subject," Mr Cure said. There had been some mention of witch-hunts. "I was once called the witch-finder general of the party," said Mr Cure. I accept that, because the dirty side of the party has to be dealt with and it must be dealt with by the NEC and the people delegated by the NEC.

"The party is beginning to feel a need for unity in fact and unity in purpose. These people have to be dealt with because they are a diversion from the main purpose of the party."

Mr Cure defended the rule that any person expelled from the party could not re-apply for membership for five years. He said there had to be a higher penalty for expulsion than for suspension which is up to three years.

Mr Ron Waugh (St Helen's) criticised this rule. He said people did not always get up to five years for manslaughter.

Mr Hugh Kirkbride (Bristol East) claimed that some people had been expelled on the flimsiest of evidence including a photograph showing the expelled person at a jumble sale organised by Militant.

Ms Susan Harris (Norwood) claimed that some of those expelled had stood up to Tories instead of hiding behind rose bushes.

Mr Nigel Miller (Glasgow Pollok) defended the expulsion of Militant Tendency supporters from his local party. Such people, he said, did not want Labour to win the next general election. "Let's get them out now."

Activists say reform plans will give more power to party HQ

By Ivor Owen

RESENTMENT among constituency activists over the transformation of the Labour Party conference into a largely stage-managed event erupted during a debate on proposals to qualify the dominance of the trade union block vote.

The growing influence of Mr Peter Mandelson, the party's communications director, was attacked by Mr Graham Till, from Derby North, who wanted to know "who elected him" and to whom Mr Mandelson was accountable.

Mr Larry Whitty, the general secretary, strongly denied that there was any intention to move the party away from its traditional trade union base, but argued that changes were needed to bring its procedures more closely into line with its sister organisations in Western Europe.

He called successfully for the approval of a composite resolution which would enable the national executive to present next year's conference with a "blueprint" for the Labour Party of the 1990s.

Mr Whitty said it would be designed to involve all members of the party in the constituencies, the trade unions, and socialist societies, so that it was "truly representative of the people of this country."

Leading the demand for reform of the block vote, Mr John Edmonds, general secretary of the GMB general union, said his own members were baffled by it.

He agreed with them in questioning his right to cast votes on their behalf without first ascertaining their individual views.

Mr Edmonds cautioned against any attempt to "paint a smile on the face of the monster" and called on conference to sound the death knell of the block vote.

Whenever possible, he said, decisions should be made on a "one member, one-vote basis."

Mr Robert Brown, from Harlow, Essex, contended that the proposed changes amounted to a fundamental attack on socialism in the Labour Party.

To applause from fellow activists he warned that approval of the composite motion would signal "the beginning of the end of conference as we know it."

Mr Tim Peacock, from Broxtowe, Notts, accused Mr Edmonds of promoting "a tissue of nonsense" when, realistically, the aim was to take power away from members of the party.

The new consultation processes which were envisaged, he said, would lead to more control being exercised by the party's headquarters in London.

Mr Peacock complained that non-activists would be able to sit in their homes and, without hearing any of the arguments, make decisions which reflected the views of the BBC and The Sun newspaper.

The case for rationalising the block vote was supported by Mr Alan Tuffin of the Union of Communication Workers, who pointed out that by casting the 197,000 votes of his middle-sized union he would "wipe out" the views of 197 constituency parties.

Mr Gerry Freeman, from Nottingham North, recalled that it was Dr David Owen, before he left the Labour Party to play a leading role in the formation of the Social Democratic Party, who first advocated a switch to a one-member, one-vote system.

He insisted that there should be no return to the party for Dr Owen and his colleagues, or for their ideas.

Privatisation in defence sector condemned

By Lisa Wood

THE Government's use of private security companies in 42 Ministry of Defence establishments was condemned by conference yesterday.

Mr Ross Burns (Transport and General Workers' Union), who introduced an emergency motion attacking privatisation in the MoD, said the bombing of the Royal Marines facility at Deal – an establishment where private security firms were used – illustrated that all military bases in the UK were on the target list.

All servicemen and women expected and deserved the best security at all times, said Mr Burns. "The problem lies with the MoD and the Government who have allowed their obsession with penny-pinching to weaken security fatally."

The motion, which was passed unanimously, said that the Government's policy of privatisation in the MoD put cost above security and led to falling standards generally in Britain's defence establishments. Conference called on the Government to abandon the pursuit of "what is cheapest in favour of putting security and quality first."

Mr Doug Hoyle, MP for Warrington North, said the Government had said it only used private companies in low-risk establishments. Deal demonstrated that there was no such thing, said Mr Hoyle.

There were good and bad companies in the private security business, said Mr Hoyle. In some the pay was appalling, with no training and long working hours.

Mr David Warburton (GMB) said privatisation had opened the door to terrorism. "Let us have a guarantee that the next Labour Government will end this farce of privatisation in defence services. If the Tories won't do it, we must."

UK NEWS – EMPLOYMENT

Construction agencies plan to tighten standards

By Our Labour Staff

LABOUR agencies that supply workers to the construction industry are planning a series of reforms that might lead to a stronger union influence among the growing number of self-employed workers in the sector.

A new industry grouping, the Association of Construction Operatives, is consulting main contractors and union leaders about strict new membership criteria aimed at the "elimination of unprofessional practices."

The association was set up last year and has 15 member companies firms with up to 8,500 operatives.

The criteria would cover areas such as training, health and safety, and financial supervision, which have suffered because of the industry's rapid fragmentation in the 1980s.

Further proposals from the association concern union membership of workers supplied to sub-contractors.

Over the past two years, Ucatt, the construction union, has diluted its long-established opposition to self-employment – or "lump" labour – as provided by labour agencies.

The issue has been made more pressing for the union by the rapid growth in self-employment within construction. One of the reasons for the change of policy is that some union officials believe that membership in local authority direct labour organisations is threatened by the introduction of the practice of competitive tendering.

The construction boom in south-east England between 1976 and 1986 has largely depended on self-employed labour which is often provided by labour agencies on a temporary basis.

Mr Dermot McGinley, director of McGinley Construction, one of the founder members of the new association, said last night that the planned criteria was aimed at bringing greater stability to the sector which would be of "great benefit to all sides."

Over the last two years, the poor health and safety record in the construction industry has been partly blamed on the spread of sub-contracted work.

But within Ucatt there are still those who have argued against granting official recognition to labour agencies.

Ambulance chiefs to meet Acas

By Jimmy Burns, Labour Staff

THE PROSPECT of a breakthrough in the long-running ambulance dispute resurfaced yesterday when health service chiefs announced that they had agreed to meet Acas, the conciliation service, next week.

The meeting follows talks between Acas officials and health union officials aimed at breaking the deadlock over the 6.5 per cent pay offer to ambulance workers, officers, and controllers.

The Department of Health last night emphasised that it was approaching Acas in its capacity as an advisory body. Officials added that the Government still refused to submit the pay issue to arbitration.

Nevertheless, the management side's willingness to return to Acas next week might pave the way for an eventual meeting between the two sides directly in the dispute.

The meeting is likely to coincide with a planned lobby of the Conservative Party conference by ambulance workers and their union leaders.

An earlier Acas initiative last month collapsed after only a short meeting between unions and managers. Both sides now consider themselves to be under some public pressure to be taking a fresh initiative.

Meanwhile, the ambulance service was bracing itself for deepening disruption at the weekend as a result of the decision of officers and controllers to join the overtime ban organised by ambulance workers.

According to union officials, London's main control centre at Waterloo will see its normal complement of nine controllers halved today and tomorrow because of the overtime ban.

It is also thought that some ambulance stations in London may remain closed because of inadequate cover by ambulance workers, and that training officers in West Yorkshire are being asked to drive ambulances because of staff shortages.

There was also an unconfirmed report last night that at least one football match – in Ipswich – might be cancelled today.

Union leaders have been predicting that a growing number of public events would be disrupted because the ambulance service would not be able to provide the minimum number of crews specified by safety regulations.

Eggar faults social rights 'restrictions'

By Jimmy Burns

THE GOVERNMENT yesterday gave a further signal that it was unlikely to support the European Commission's revised social charter of workers' rights with the second ministerial attack in a week.

Mr Timothy Eggar, Employment Minister, said the proposed social charter imposed "unnecessary restrictions on training and employment."

Speaking to a meeting of business leaders in Essex, Mr Eggar said: "We do not welcome a regulated Europe which ignores the different traditions of member states ... the social charter seeks to impose rights to vocational training and to study leave."

Mr Eggar claimed that the UK was "far in advance of other member states in financial participation for employees." He argued that nine of the last ten UK budgets had introduced share ownership schemes and privatisation issues that had "massively increased employee share ownership."

Timothy Eggar: UK leads in financial participation

He predicted that in Britain, the Government and the private sector would come together at a local level through the Training and Enterprise Councils.

That he described as a "radically new syetem" which would allow the UK to compete effectively within the European Market. The EC's revised social charter draft was published last month. It is intended to provide a floor of workers' rights covering pay, hours, health and safety, and employee involvement in decision making.

The British Government is alone within the European Community in publicly opposing the social charter which is expected to be finally voted on by ministers in December.

Newspaper acts to replace sacked staff

By Michael Smith, Labour Staff

ABERDEEN Journals, publisher of the city's morning and evening newspapers, yesterday began advertising for journalists to join its staff after its dismissal of 100 reporters and sub-editors this week.

Mr Mike Fraser, personnel manager of the newspaper, a Thomson Organisation subsidiary, said the company had no intention of re-engaging the former employees. They were dismissed in a dispute over collective bargaining.

The local chapel (office branch) of the National Union of Journalists accused management of deliberate provocation in advertising for new staff.

The dismissals followed a walkout by staff last week in protest against what they saw as the company's denial of collective bargaining rights to junior managers. After a previous strike, the two sides had agreed to the introduction of personal contracts for senior managers but the NUJ said the company then tried to extend them further down the managerial line. It also accused management of victimisation.

Mr Fraser said the papers were being produced by about 60 staff, against a normal complement of about 160. Editors were reviewing their future staffing requirements and they might need fewer journalists than previously.

Rolls-Royce tells workers lay-offs will follow strikes

By Michael Smith, Labour Staff

ROLLS-ROYCE, the aero engine group, yesterday warned its 37,000 employees that selective strikes in support of a reduced working week would lead to the lay-off of workers throughout the group.

In a letter distributed to all staff, Sir Ralph Robins, deputy chairman, said the strikes might also destroy customer confidence. The fortunes of the company would suffer.

Sir Ralph's letter, together with a front-page article making similar warnings on the company's staff newspaper, represents an intensification in the propaganda war on an issue that might lead to one of the most significant industrial relations disputes of the 1980s.

Engineering union leaders meet on Monday to plan ballots for the following week in 11 plants in five companies. Two of the plants are owned by Rolls-Royce and another by NEI Parsons, the company's new subsidiary.

Mr Alex Ferry, general secretary of the Confederation of Shipbuilding and Engineering Unions, which is co-ordinating the campaign, dismissed Sir Robin's warnings as scaremongering.

In the letter, Sir Ralph said a reduction in the working week to 35 hours, which the 12 unions are demanding, would be extremely damaging to the company. He wrote: "We would quickly become unable to compete with our two main rivals, Pratt & Whitney and General Electric. These American companies are very aggressive, very efficient and both work 40 hours a week."

Sir Ralph said that if either the Coventry or Glasgow Rolls-Royce factories were to vote for strikes, the effect would be felt immediately across the company. If there is an interruption in the supply of parts from these two sites we will be unable to deliver engines.

"In these circumstances we will have no alternative to progressively laying off works and staff employees at other sites."

Rolls-Royce is the second of the targeted companies to warn of the effects of the hours campaign on jobs. The first was British Aerospace, which has two factories in the initial 11 to be balloted.

FINANCIAL TIMES

SURVEY

Shares in the investment trust sector have sparkled this year. Now there is a marketing job to be done, says **Barry Riley**. For the industry, helped by new launches and innovations, must grasp opportunities among private investors if it is to secure its future.

A fair wind is blowing

A YEAR may seem a small interval in the history of the 120-year-old investment trust industry. Yet the past 12 months have brought a remarkable change for the better in the fortunes of the sector.

There is no better measure than share prices. So far in 1989, investment trust shares have sparkled. Not only have the underlying stock markets around the world in most cases shot ahead, but investment trust share prices have on average done even better.

In the nine months to the end of September, the FT-Actuaries All-Share Index rose by 26 per cent, but the investment trust sector index was up 35 per cent. That partly reflects the superior performance of certain overseas markets, notably Wall Street, and also the benefit of gearing through the use of borrowed money. Many trusts would also argue that it owes something to good share selection.

But a crucial element has been a reduction in the discount at which investment trust share prices have stood in relation to their underlying portfolio assets. It is only about 15 per cent on average today, but in recent years it has often been between 20 and 25 per cent.

Certainly the average discount was much higher a year ago when, to the dismay of the investment trust industry, one of its blue chips was gobbled up for £560m by the British Coal pension funds. Touche Remnant's Industrial and General trust had struggled to improve its performance, but eventually the coal funds seized their opportunity to buy a huge portfolio at a discount.

It was something of a coup for the pension fund managers, who gained control of a vast portfolio at what turned out to be a low point for the stock market. But it was extremely disappointing, not just for TR but also for the managers of many other investment trusts. Were their funds doomed to continue to be cheap fodder for opportunists and predators?

To the extent that the discount reflected an excess supply of investment trust shares, the removal of TRIG for cash and the reinvestment of at least some of the proceeds by its former investors into other investment trusts will have helped to trim the discount. But the threat has been that the sector might continue to shrink slowly.

The unique feature of investment trusts is that they are closed funds. Whereas unit trusts are open-ended, and can expand or contract according to demand, investment trusts are for most practical purposes fixed in size. Shareholders must buy or sell in the secondary market in existing shares, and if there is a shortage of new investors, the discount problem can become serious.

Now there is more hope. A string of new fund launches has been seen this year, adding to the 200 or so funds worth about £16bn (in terms of market capitalisation) which were in existence at the beginning of 1989. And a series of marketing and product innovations has served to prove that there is a *lot of life in the old sector yet.*

Essentially, it is all about marketing. How can the investment trusts attract the interest and participation of private investors? The investment trust sector has surrendered much of its role to unit trusts, a stripling industry hardly more than 50 years old, yet which is now some 2¼ times as big as its elder brother.

Why have unit trusts been so much more successful? It is not, by and large, because they have performed better for investors. Over the past 10 years, the average investment trust has turned £100 invested into £880. The same £100 put into an average-performing unit trust would now only be worth around £600.

But despite their obvious merits, investment trusts have scarcely been brought to the attention of the general investing public. Their structure has allowed little scope for promotion, or for rewarding intermediaries, except for the 1.65 per cent commission payable to a stockbroker on a share purchase. Unit trusts build in healthy margins for advertising and for remunerating intermediaries (who get 3 per cent, and sometimes even 4 per cent).

In the absence of substantial private investor demand, investment trust shares have drifted into the hands of institutions such as pension funds and life assurance companies, which hold something like 75 per cent of them.

Twenty or 30 years ago, there were valid reasons for investment trust shares to be held by such institutions, to the extent that the trusts could manage specialist international portfolios which insurance companies were not capable of doing in-house. More recently, however, this expertise has been developed by insurance companies and pension fund managers themselves. They have only been willing to hold investment trust shares as last-resort investors at a big discount.

The investment trust industry has therefore been doomed to shrink rapidly, unless it can go back to its roots and stimulate private investor demand, just as it did in the latter years of the 19th century.

As it happens, tax changes have meant that the investment trust has rarely, if ever, been a better vehicle for the savings of private investors. Capital gains tax is not payable by the fund (but only by the investor when he actually sells), and now personal equity plans have created the possibility of limited income tax shelter as well. Several fund launches of up to £100m at a time have been made recently, offering either popular specialisations or PEP facilities.

But specialised launches are not always received well by industry experts. Hamish Buchan, a leading investment trust analyst at stockbrokers County NatWest WoodMac, dismisses many such innovations as "disposable" trusts, which could rapidly fall from favour once they cease to be fashionable.

According to another stockbroker, Barry Olliff, of the investment trust specialists Olliff & Partners: "Some managers are doing things they don't understand, because they have been told to by their marketing departments."

However that may be, the *central problem for the investment trust industry* must be to develop demand for the basic, general funds such as Globe, Foreign & Colonial, or Alliance. They are eminently suitable as core investments for the small investor. But only in the past few years have they worked out innovative ways of trying to reach him or her.

It is not only private investors that are largely ignorant. The Government has shown little understanding of investment trusts. It has muddled them up with unit trusts in *devising the detailed rules for* PEPs. And its investor-protection agency, the Securities and Investments Board, has been reluctant to give investment trusts their proper place in the new regulatory structure.

The trade body, the Association of Investment Trust Companies (AITC), has asked awkward questions about how the regulators' *definitions of* so-called "best advice" by intermediaries were drawn up. The rules included unit trusts and life assurance plans, but not investment trusts, which historically have offered much better returns on average.

Investment trusts are now clawing their way into the SIB's framework. But they will have to come to terms with the higher levels of commission payable by these alternative long-term savings media. Recently one or two investment trust groups have, in fact, devised savings plans which deliver unit trust-style commissions of 3 per cent to advisers who recommend such schemes to their clients.

The next step could be promotion overseas. Some investment trust groups are wondering about the potential for seeking shareholders in continental Europe, and perhaps in Japan too.

Investment trust promoters also note that only open-ended funds are catered for by the new European Community Ucits legislation, which was due to have become effective throughout the EC at the beginning of this month — although some countries have fallen behind this schedule. Ucits may be freely promoted throughout the Community. Perhaps if a tougher AITC had been active a few years ago, it might have gained recognition for investment trusts under the Ucits directive. Perhaps, indeed, something could still be done. Should there be a closed-end fund directive?

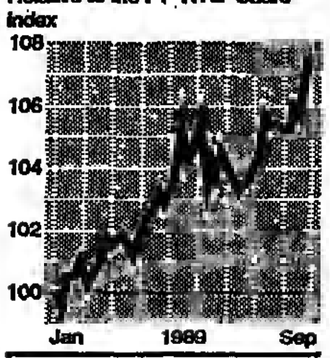
This is more important than it might seem, because, in order to give unit trusts a better chance to be competitive in Europe, the Government is apparently now in the process of granting them tax concessions which are not available to the investment trusts.

A lot is happening. For the investment trusts, 1989 has brought considerable promise, with the opportunity to broaden their markets substantially. They can build on their reputation as the knowledgeable investor's investment.

But by the same token there is a danger. The savings markets are being radically restructured, on an increasingly international basis. Already the investment trust industry is dwarfed by the unit trust business and the life assurance sector. If it misses its opportunity, private investors will be steered elsewhere on a still greater scale.

Investment Trusts

Relative to the FT-A All-Share index



Terry Kirk

Taking the next savings step? Taxation changes have made investment trusts an attractive proposition for the small investor

Investment Trusts

UNIT TRUSTS

The FT survey on Unit Trusts will be published as part of next Saturday's paper

CONTENTS

Editorial production: Martin Davies

A glossary of investment trust terms

Investment trust company: A public limited company that uses the funds provided by its shareholders to invest in other companies.

Approved investment trust: One that satisfies the requirements of Section 842 of the Income and Corporation Taxes Act 1988 as amended, and is therefore exempt from having to pay tax on the capital gains it realises from sales of the investments within its own portfolio.

Association of Investment Trust Companies (AITC): Founded in 1932, the collective voice for UK investment trusts.

Closed-end fund: An investment medium, such as a UK investment trust, with a fixed capital structure. Variations in demand for the shares of the fund are reflected in movements in their market prices and not in an expansion or contraction in their supply.

Discount/premium: The difference between the market price and the net asset value of the investment trust's underlying shareholdings. If the market price is less than the NAV per share, the shares are standing at a discount; if the market price is greater than the NAV, the shares are standing at a premium.

Net asset value (NAV): The net worth of a trust's equity capital, usually expressed in pence per share. It is arrived at by totalling the value of the trust's listed investments at mid-market prices, unlisted investments at directors' valuation, cash and other net current assets, and deducting all its liabilities, including any issued preference capital.

Open-ended fund: a fund whose capital can normally be increased or decreased by its managing body without the approval of existing investors in the fund.

Savings scheme: A facility to enable purchases of investment trust company shares to be made easily and in smaller amounts by the investment of regular sums or occasional lump sums.

Split-capital (split-level) trust: An investment trust, usually with a limited or determinable life, whose equity capital is divided into various classes of income shares and capital shares. Holders of income shares receive all or most of the income earned by the company throughout its life, plus a predetermined capital value on liquidation.

Unitisation: The conversion of an investment trust into a unit trust.

Yield: The immediate, tangible income return on an investment, defined as the annual grossed-up dividend per share as a percentage of the share price.

Zero dividend preference share: a share where the investor has no right to receive a dividend, but is instead entitled to a fixed sum at the end of a specified period.

INVESTMENT TRUSTS 2

Christine Stopp views the battle with unit trusts, and advises . . .

Consider record as well as cost

INVESTMENT trusts are shifting significantly in the minds of the investing public, from an image of dull technicality to one of good value and high performance.

With unit trust charges on the increase, the comparison between the two investments has become more relevant for the private investor.

Investment trusts hava no front-end load like unit trusts: the investor simply buys the shares and pays whatever combination of fees and commission the stockbroker or financial adviser charges.

The cheapest way to deal for most private investors is through one of the savings schemes run by all the major investment trust groups. Charges on these vary, but many investment trusts can be bought and sold for only 0.2 per cent in commission charges.

Annual management fees on investment trusts are also low: most are below 0.5 per cent. With unit trust charges mostly at 5.25 per cent initial and 1 per cent or 1.25 per cent annual, this gives investment trusts a definite cost advantage.

Low costs give any investment a head start in the performance rankings, but it seems that investment trusts have an inherent advantage here, too. The table shows sector averages for various investment trust sectors, compared with their unit trust equivalents. Only in the five-year figures for Japan and Europe does the average unit trust have the advantage.

This does not, of course, mean that every investment trust outperforms every comparable unit trust. The investment trust sectors are tiny, compared with the unit trust groupings.

For example, there are only five Japan investment trusts, compared with 74 unit trusts in the same sector.

The top investment trust performance is not far above the average. The unit trusts, on the other hand, have a wide range of performance. Over one, three and five years, the top Japan unit trust outperformed the top investment trust with values of £145.4, 202.2 and 457.5, compared with the investment trusts' 139.6, 188.5 and 315.6.

In other words, investors should still look at all aspects of the performance record of a fund, whether it is an investment trust or a unit trust.

Investment trusts offer a smaller choice than unit trusts, but they include both general and specialist funds. An investment trust is a better vehicle than a unit trust for highly specialised markets, because of its closed nature: when investment trust shares are sold, the manager does not have to sell investments to pay back shareholders.

This means that, though the net asset value of shares held by the investment trust will fall, the manager is not forced to sell at the worst possible time. He can "sit tight" and await a market correction.

The problem of investors flocking out in bad markets has decimated the value of some of the more volatile unit trusts, and is one to which the unit trust manager is always vulnerable.

An investment trust is a better vehicle for specialised markets

On the other hand, he is better placed to take advantage of good opportunities when the market turns round, as he has cash flow from new unitholders coming into the fund.

This should result in more consistent long-term management on the part of investment trusts and more volatile performance, along with enforced short-termism, among unit trusts.

Investment trust shares, unlike units, do not sell at a price which is closely related to their net asset value. They stand at a discount or, sometimes, at a premium. This means that market sentiment values their shares at less (or, where there is a premium, more) than the underlying value of the share portfolio.

The discount has fuelled a good deal of argument in the investment trusts versus unit trusts debate. On the one hand, it appears to be a selling point for investment trusts ("you are buying £100 worth of shares for £80"). On the other, detractors see it as a disadvantage ("Your £100 is immediately worth only £80").

If the discount narrows while yon are holding the shares, there will be a boost to performance. If it stays the same, there is no disadvantage when you sell. Only if it widens will there be a reduction in performance. However, as the County NatWest WoodMac 1989 Investment Trust Annual shows, discounts have narrowed steadily over the last 15 years.

Unit trusts do not have the problem of a discount, because the price of units is calculated according to a formula based on the net asset value of the underlying fund. The movement in price of a unit trust will fluctuate according to the movements of markets in which it is invested.

Investment trust prices will be influenced by the market in which they invest as well as by sentiment in the UK market, where they are listed companies. A problem for the small private investor in a specialist investment trust occurs where institutional investors, who hold the bulk of the shares, decide en masse that a market is out of favour, with a disproportionate effect on the investment trust's price. On the other hand, spotting an anomaly like this can also represent an opportunity.

Investment trusts have always had a freer hand than unit trusts in the types of asset they can invest in and the management techniques they can use. Gearing is another technical term which has proved a two-edged sword for investment trusts in trying to appeal to the private investor.

Gearing means that the investment trust can borrow money in order to make additional investments on behalf of shareholders. This can only be nndertaken when dividend income is likely to outstrip the cost of borrowing, and is one reason why gearing has been much less widely over the last decade or so.

The use of gearing means that the investor is getting capital growth on the value of, say, £110 on underlying assets of only £100. This is very good news in rising markets, as it strongly enhances performance, but not in falling markets, when it can cause drastic underperformance.

Unit trusts cannot gear in the same way as investment trusts, though the new investment regulations permit a limited degree of borrowing. The regulations will also allow unit trusts to invest in a wider range of assets already permitted to investment trusts, including, for example, directly-held property and commodities. The unit trust industry has shown limited enthusiasm for such powers, wary of deterring investors because of the perceivad risk attached to property and commodity funds.

Oddly, though both types of investment are basically exposed to equity markets, and therefore have a largely comparable level of risk, investors are showing growing enthusiasm for investment trusts, while interest in unit trusts has been very slow to recover from the crash of 1987.

Average performance compared to end August 1989

Sector	One year	Three years	Five years
International growth			
IT	149.1	150.8	257.3
UT	125.8	130.1	204.1
UK growth			
IT	124.5	167.3	285.8
UT	117.0	152.6	267.0
UK income growth			
IT	140.5	175.6	817.4
UT	119.2	162.2	283.7
North America			
IT	155.4	135.9	181.6
UT	131.4	116.6	158.1
Japan			
IT	126.4	154.6	249.2
UT	121.4	145.8	303.0
Europe			
IT	182.7	145.6	268.1
UT	139.2	116.7	287.7

Return on a theoretical £100. Investment trust figures are mid-price to mid-price, income reinvested. Unit trust figures are offer-to-bid, income reinvested.

Source: Micropal

Alan Harper

Pick the vehicle that will best carry you to long-term objective

MARKETING

On the road and back to its roots

AT THE forthcoming Money Show '89, the Association of Investment Trust Companies will make its pitch not just from a mere stand but from a whole "Investment Trust Centre", with support from nine management groups and four firms of independent investment advisers.

Marketing has now assumed a major role in the investment trust industry – not quite as central as for unit trusts, but moving in that direction. It represents an amazing change from, say, 10 years ago when most investment trust managers would have been horrified at the idea of taking part in promotional roadshows or agreeing to the payment of 3 per cent sales commissions to intermediaries.

Even now, not everybody is happy about the change. The great pride of many investment trusts has been their low cost base, certainly compared with unit trusts. Now, all the expensiva marketing razzmatazz threatens to rednce the long-term return which is delivered to the investor.

Nevertheless, no matter a how brilliant a product is, it is useless if it does not sell. "We are difficult to understand," admits Philip Chappell, adviser to the AITC. Investment trust companies have recognised that they have to go out there and hustle with the rest, or their industry will shrivel away.

By the early 1980s, the more wide-awake investment trusts realised that their dependence on stockbrokers to market their products was endangering their future. Investment trusts have only been able to sell "off the page" to investors at the stage of initial flotations. Later, they have relied on stockbrokers to generate an active trade in shares in the secondary market.

But in recent years stockbroking commission rates have been rising, so making dealing more expensive, and the number of active stockbroking clients has been falling fast. Moreover, many such brokers have put their clients into unit trusts, on which the commissions are about twice as high.

Eventnally, investment trusts were propelled into setting up their own arrangements for trading in shares. There are severe legal restrictions under the Companies Acts on all plcs, including investment trusts, when they deal in their own shares. But in 1984, Alliance Trust and Foreign & Colonial found ways of setting up savings schemes.

Now some 23 management groups run such schemes for 86 individual trusts, involving both regular savings and lump sums. In the past few months the combined intake of savings has been running at the rate of some £50m a year – still only a tiny fraction of what the unit trusts pull in, but a good base on which to build.

The original appeal of savings schemes was directly to small investors, but groups such as Robert Fleming and Ivory & Sime have launched modified schemes to be sold by intermediaries. This involves building in a 3 per cent commission which, of course, the investor has to pay.

Such distribution packages raise awkward questions in the context of the "best advice" rules which are imposed on independent intermediaries by the Financial Services Act. How can it be "best advice" to put a client into an investment trust plan when he would get better value by bnying directly?

However, the reality of commercial life is that intermediaries need an incentive. The AITC is certainly paying much more attention these days to the potential of intermediaries. These still inclnde stockbrokers, of course, but there are thousands of others, some of which are setting up investment trust advisory services. The association has held its own roadshows in places like Bournemouth and Glasgow.

However, a critical report by consultants Arthur Andersen suggested that the AITC's traditional approach was not properly focused. A new campaign is therefore being spearheaded by Philip Chappell, and by Lesley Renvoize, the AITC's head of publicity.

Some 23 groups run schemes for savings and lump sums

"We are determined to go back to our roots and appeal to the private investor," says Chappell. One initiative was a survey last year of the type of investors who were starting to buy investment trusts.

It turned out thet most were relying on newspapers and financial magazines for their information. Few used brokers or other professional advisers. One part of the industry's marketing campaign has therefore been aimed at developing the largely untapped potential of these advisers, most of whom sell unit trusts and life assurance plans in preference to investment trusts.

The independent financial information firm Micropal launched an investment trust performance measurement service last year, and the AITC has recently revamped its own monthly performance service. The association's twice-yearly investment trust index goes out to 5,000 intermediaries (and about 1,000 private investors). The next step could be a risk analysis service.

Looking ahead, the AITC is even considering launching its own "share shop", which would provide simple and cheap dealing facilities for investors. The aim is to set up an electronic mini-market, so that saving through investment trusts could be almost as simple as using a building society. Such schemes are on ice for the time being, however, until the regulatory complications have been sorted out.

Battles with the regulators, especially tha Securities and Investments Board, have occupied quite a lot of Philip Chappell's time in the past couple of years. It has been a struggle to get investment trusts accepted as standard products

The SIB is currently conducting a review of the retail marketing of investments, aimed at finding ways to avoid competitive distortions brought about by differences in the regulatory requirements. Chappell argues that investment trusts have euffered because they have been left outside the "best advice" framework, even though they offer demonstrably better value to savers. "We have refused to let the best advice issua die," he points out.

But although a consultative paper was originally promised for the summer, the retail review is apparently still several months away from completion.

Philip Chappell is content to wait, so long as the outcome is fair. "We attach the greatest possible weight to them taking their time and getting it right," he says.

Barry Riley

PERFORMANCE: **Eric Short** explains how the yardsticks have been developed

Information suits the investor now

PERFORMANCE measurement is all the vogue in the investment field, and the investment trust sector is no exception.

Indeed, investment trusts were probably the first funds to be subject to performance measurement by outside independent bodies.

And the measurement techniques developed are, with the possible exception of pension funds, the most detailed in the investment performance field, covering almost every aspect of of an investment trust's operation.

Until recently, most interest in investment trusts came from the institutions, or those private investors with access to professional advice. Consequently much emphasis was laid on the underlying net asset values of a trust in assessing its potential and performance.

Index performance

	One year	Five years	Ten years
RPI*	108.3	129.9	198.9
Building society investment*	107.3	142.6	228.9
FT-A All-Share	136.8	269.2	681.8
S&P Composite	147.8	201.2	566.2
Tokyo New Stock Exchange	124.1	453.7	1,213.0
MS Capital International World	136.0	268.0	678.6

Source: County NatWest Wood Mac (*Micropal)

So the major stockbrokers specialising in the investment trust sector, such as Wood Mackenzie (now County NatWest WoodMac), gave prominence to the movement of net asset values of individual trusts, ranking the individual trusts in order of size of movement of net asset values.

Certainly, net asset values are far better guides to the underlying ability of fund managers, and highlight the trusts that are fully valued or undervalued, or are likely to be candidates for takeover or unitisation.

But, other than in a takeover situation, an investor buys and sells trusts at the share price, not at net asset values. Once the investment trust industry had stepped up its efforts to make investments more attractive to individual investors, it became essential to give prominence to share price performance – what the investor actually receives from putting money into an investment trust.

The Association of Investment Trust Companies publishes a monthly information service, showing both the comparative returns to investors and movement in net asset values. Investors are primarily concerned about where their own particular trust figures in the performance tables, hoping always that it is at least in the top 10. This information is available in the AITC monthly sheet.

The days have long gone when investment trusts were primarily general pooled equity funds. The emphasis now is on specialisation, though generalised trusts are still available. So the performance of the various categories is more meaningful to the average investor than individual trust rankings. This information, too, is provided in the monthly sheet.

So far, consideration has been given to performance comparison between investment trusts. However, investors need information on wider questions, in particular whether investment trusts, as such, have been better investments than other investment forms.

They are likely to be particularly interested in whether investment trusts, on average, offer better prospects than unit trusts, the other form of pooled equity investments; and whether trusts have done better than building society investments. It is also useful to know whether investment trust performance has outpaced inflation. This information, also contained in the AITC's monthly sheet, confirms that investment trusts have out-performed the Retail Price Index, building societies and unit trusts.

This latter feature does not indicate superior investment expertise by the managers, since most management groups market both investment trusts and unit trusts. It reflects first the lower charges on investment trusts, compared with unit trusts; and second, that *closed-end funds* impose fewer constraints on the investment managers than open-ended funds; where the manager may be forced to deal at times that he considers inopportune simply because fresh money is coming in or unitholders are taking their money out.

Finally, investors and their advisers need some indication of the underlying expertise of fund management groups. The best-advice requirements of the financial services legislation oblige independent financial advisers to have a knowledge of investment expertise of such groups, as well as of the individual trusts and of investment trusts compared with unit trusts.

Investors and their advisers need some indication of fund management groups' underlying expertise

The 1989 Investment Trust Annual, from CountyNatWest WoodMac, contains a wealth of information, not only on trust performance but on performance by the various management groups.

Management performance is obtained by taking the average net asset value performance of the individual trusts managed by the particular group, weighted by trust size. Information is also available on share price performance.

Over the period 1983-88, the top management group on net asset value was Framlington (now part of the Throgmorton Group), closely followed by GT Management, with Touche Remnant occupying top position on a total price return basis.

Average performance, at August 31 1989

	One year	Five years	Ten years
Investment trusts	140.8	285.6	883.1
International: general	150.0	302.6	984.9
International: capital growth	148.1	250.4	615.3
International: income growth	145.3	290.1	844.7
UK: general	124.9	278.5	745.0
UK: capital growth	122.0	243.5	686.3
UK: income growth	140.5	315.8	1040.3
North America	154.5	181.2	522.9
Far East: including Japan	180.8	379.1	1263.6
Far East: excluding Japan	185.9	-	-
Japan	133.5	277.0	1268.2
Australasia	124.7	182.6	567.0
Europe	183.1	293.9	797.6
Financial & property	115.8	260.8	613.9
Commodity & Energy	102.0	153.0	-
Technology	124.8	131.5	492.9
Smaller companies	123.9	262.9	780.1
Venture capital	141.2	294.7	906.7
Split capital	141.0	332.3	1064.9
Unit trusts (offer to offer)*	130.2	246.2	610.7
Unit trusts (offer to bid)*	124.2	231.6	574.1

The figures, from the AITC's monthly information service, show the comparative return to [illegible]

Source: County NatWest WoodMac (and *Micropal)

SPECIALISATION

Far East in demand

SPECIALIST trusts have been a feature of the investment trust field for over a decade, and tend to dominate the new launches these days.

However, while the demand at present is chiefly for income and far eastern trusts, it seems likely that (as in other areas of investment) the increasing awareness of environmental and ethical investment opportunities will affect the investment trust scene, too, and lead to a wave of "green and moral" specialist trusts.

Investment trusts were originally seen as convenient vehicles for overseas investment, opening the door to markets for example in the Far East. But in the last five years there has been a shift in weighting towards the UK market following the marked upturn in its performance.

"In the mid-1970s, the UK was a dump and no one wanted investment trusts to invest there," says Mr Robin Angus, director of County NatWest WoodMac and author of the firm's Investment Trust Annual.

In fact, if one looks at all investment trusts (including specialist trusts), 53 per cent of the money is invested in the UK and the rest elsewhere: for the diversified trusts, the percentage of total money invested in the UK market is 60 per cent.

The first wave of specialist funds appeared in the 1970s, when new trusts were launched to invest in the Far East (particularly Japan) and in Europe. Then, in the 1980s, several of the general trusts switched to become specialist trusts. The strategy was to provide a specialist investment service for those institutions which lacked their own in-house research teams, for example for investing in the Japanese or other far eastern markets. Such sub-contracting of investment research was unnecessary for the UK market, but at the time was in strong demand for the lesser-known markets.

However, this function has fizzled out, and very few general trusts now appear to want to change their spots. "The strategy of changing into specialist funds was a bit of a dead end," says Mr Angus. As institutions built up their own research teams to complement their UK investment side, sub-contracting became superfluous. Furthermore, one of the problems arising from specialist trusts was that such concentration could prove rather constricting. It meant that, if a particular market suddenly took a plunge and remained in the doldrums for a while, the trust had no defence and could not transfer money into other more profitable sectors or regions. So investors were locked into an inflexible structure, and could not get out (or "escape") at net asset value once the opportunity has passed.

Nowadays, managers have a tendency to talk about "disposable" trusts: this is not

Japan was the pearl in the first wave of specialist trusts

intended as a derogatory term, but merely refers to trusts which can exploit a particular investment opportunity and which have a built-in "escape clause", so that, once the opportunity has passed, investors can get out easily and the fund has a limited lifespan.

More and more of the new trusts fall into this category, and are seen as filling a valuable niche and providing a welcome addition to the core of stable diversified trusts.

The specialist funds come in four main guises. There are those defined by geographical regions (such as Japan or the Far East), or by sector (for example, technology). In addition, there are the income trusts and trusts with more complex structures such as split-capital. At present, Far East and income trusts are in great demand with investors.

Demand for income trusts has been boosted by changes in personal taxation

Demand for income trusts has been boosted largely by the changes in personal taxation introduced by the Thatcher government in the past decade (with lower tax rates making income more attractive for investors), coupled with an increasing interest in equity investment by private investors and greater awareness of investment trusts as a possible vehicle.

County reports that, during 1989, new trusts aimed at the private investor found willing *buyers, particularly* the income trusts; whereas in the past, some trust managers had tended to push for capital growth rather than for income, on the grounds that there can be greater constraint on investment policy with income trusts.

The *Far East, as it has* assumed a more important role in the world economy, has naturally become an interesting area for investors. As a result, investment trusts investing in the region are in strong demand – *from both* private investors and from the institutions which lack that particular kind of expertise.

The average discount on investment trusts has fallen considerably in the past 15 years, from around 45 per cent to between 15-20 per cent in the last year. The average discount on non-specialist (diversified) trusts is now 15.8 per cent. In the case of specialist trusts, the *discount can* be far wide of the average, and tends to be much more volatile, reflecting the swings in fashion experienced by certain sectors or markets.

For example, technology, which as a sector has dwindled in size, has a high discount of 25.2 per cent; while European trusts tend to have a low or almost negligible discount (averaging 1.1 per cent), because investment *in* continental Europe is popular and investors do not have a very wide choice.

Discounts for the Far East average 7.8 per cent; for Japan 10.8 per cent (although, back in the 1970s, the Japanese and far eastern trusts showed discounts of as much as 50 per cent); for venture capital 11.9 per cent; for income growth 12.8 per cent; and for North America 9.1 per cent.

County expects to see considerable growth in the retail investment trust market, with a mix of *diversified and* UK trusts, and on the venture and development capital side. However, it predicts that the specialist trusts of the future are likely to be of the ethical/environmental breed.

Such "special concern" trusts would allow investors to put their money to work earning profits, but in accordance with their particular political, religious or moral beliefs.

Sara Webb

COMPLEX TECHNIQUES

Split-levels forge ahead

GREED AND fear, goes the adage, are the most powerful forces behind stock-market behaviour. Certainly, as far as the investment trust sector is concerned, they have combined to produce a rare and wide-spread degree of innovation.

Whatever criticisms may be levelled at the sector on other grounds, no one could accuse its more proactive elements of lacking imagination.

The root cause is simple: the age-old problem of the investment trust discount. So long as the value of a trust's assets are not fully reflected in its share price, they will always be subject to corporate activity, either by in-house management aiming to correct the mismatch, or by external agitators attempting to cash in on the gap. Various factors, however, have combined to give an added twist to this theme in recent years – the widening of discounts in the the wake of the 1987 crash, institutional attitudes, the presence of arbitrageurs.

In the face of such activity, it is not surprising that the more enterprising corporate finance elements should see scope for innovation, and that managements should be willing to embrace any option which betters a loss of funds.

As a result, the conventional discount-eliminating options – such as liquidating a trust, effecting a unitisation, or adding in a warrant element – have given way to more imaginative solutions.

Perhaps the most pronounced development recently has been trend towards split-level trust reorganisations. The notion is scarcely novel – such trusts were around in the 1960s – and is simple enough in concept. The idea is that one single share class can be replaced by different pieces of paper offering different entitlements. In the most basic form, a trust would offer a mix of capital shares (enjoying all the capital growth) and income shares (entitlement to all the fund's income). A fixed life would be set on the trust, so that, at wind-up, the capital element could be distributed to shareholders.

By this route, runs the argument, additional demand will be created and the combined pieces of paper stand a better chance of trading at a level close to underlying net asset value.

Split-levels first saw a renaissance in 1987. In late-1986, Yeoman Investment Trust effected a two-way split; then, in early 1987, River and Mercantile, a £120m fund, implemented a three-way reorganisation. In addition to the traditional income and capital shares, R&M introduced a "stepped preference share", offering a mix of predetermined capital and income growth over the life of the trust. A warrant "sweetener" was also added for good measure.

The River and Mercantile scheme was not just a matter of altruistic innovation. For a start, the trust had a significant and not entirely friendly shareholder – who was eventually persuaded to sell on to a more supportive institution.

The success of the R&M reorganisation soon prompted others to follow suit. The Gartmore-managed Scottish National Trust, considerably larger at £350m, took the notion a step further with a four-way split. In addition to the pieces of paper used by R&M, Scottish National introduced the notion of "zero dividend preference shares", which pay out no income over the life of the trust but offer predetermined repayment when the fund is wound up.

This was then followed by the River Plate and General reorganisation, before the stock-market crash intervened and the prices of capital shares were badly hit. A subsequent split-level reorganisation by General Consolidated fared far less happily – the capital shares started trading well below expectations – and when MIM's Drayton Japan fund sought to follow suit, under heavy aggressive pressure, institutions backed calls for a full cash exit route instead.

Thereafter, split-level reorganisations underwent a slight lull, although River & Mercantile launched a new US specialist fund, and TR Technology employed a similar structure when reorganising in the wake of a lengthy battle.

In the current year, however, there has been a more sustained surge of new arrivals in this area, partly through new launches and partly from reorganisations.

Although structures vary to some extent, the common pattern in this latest batch of arrivals has been a mixture of zero dividend shares – giving predetermined growth – and then ordinary shares, enjoying the remaining capital and income gains achieved and usually proffering a generous starting yield.

Again, however, analysts suspect that the market may be heading for something of a breather. The restructuring of Sphere Investment Trust proved disappointing, with the two pieces of paper failing to trade at the levels expected; and, although there were special circumstances in this case, some sector-watchers suggest that there may be a degree of temporary indigestion.

Longer-term, opinions are divided about split-levels' potential. Some analysts suspect that the future market for such trusts will depend heavily on private-investor demand.

If, for example, the relatively safe zero dividend shares were to become a standard part of school-fees planning, or the high-yielding ordinary shares regularly found their way into personal portfolios, growth opportunities for this segment of the industry, currently worth £2bn, are considerable. "The potential is enormous," says one analyst.

Again, R&M has made an innovatory move by attaching the launch of a new split-level fund to a PEP plan, thereby raising the amount which the plan holder can invest in the trust to the full £4,800 a year.

There are, however, a few caveats attached. One is that greater sophistication should be applied when assessing these various bits of paper. One trust specialist, for example, suggests that anyone looking at the zero dividend shares should pay attention to capital cover before being seduced by the prospective yield. The other, related to this, is that the prospects for the ordinary/capital shares in particular, are only as good as the fund managers.

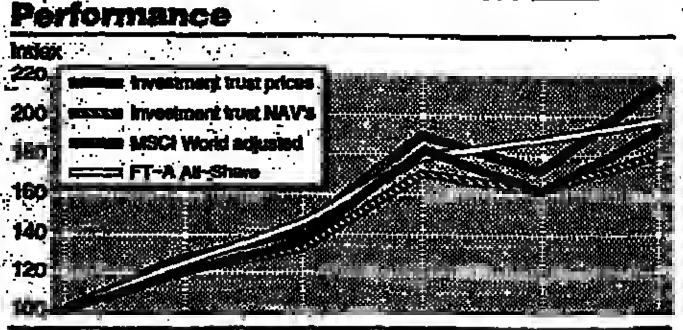
The other, rather less prevalent theme has been that of indexation. While the unit trust industry has seen the launch of numerous index, or "tracker", funds – designed to match the performance of various stock-market markers – the investment trust sector has been quick to point out that a closed-end structure is in many ways more suited to this sort of concept, given that it is not subject to constant inflows and outflows of money.

Nevertheless, the movement has made only modest moves in this direction. The main thrust has come in the form of indexed loan stock – which guarantees to match the total return on a given index (say, the FT-A All-Share) over the life of the trust, and is about as pure a form of indexation as anyone could want. Holders of the remaining ordinary shares enjoy all the additional income or capital gain achieved by the managers – effectively, then, a rather attractive means of gearing up a trust.

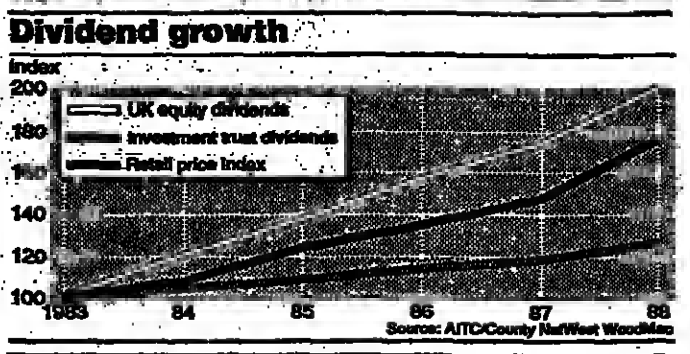
Such a notion was first adopted by Ivory & Sime in its highly complex, and somewhat unhappy reorganisation of three trusts in 1987 – leading to the formation of the Selective Assets trust; since then, however, it has been repeated in the British Assets reorganisation, leading to the creation of a further £150m tranche of such stock. A further issue has come from Stewart Ivory's Scottish American investment company worth £80m.

Nikki Tait

Performance

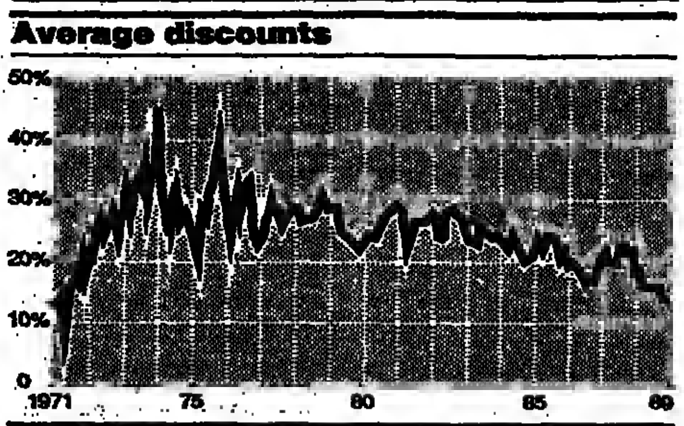


Dividend growth



Source: AITC/County NatWest WoodMac

Average discounts



CORPORATE ACTIVITY

Predators are still a threat

CORPORATE action has been a long-running theme in the investment trust industry. It has, however, been given fresh impetus lately.

The underlying rationale is both simple and well-rehearsed. As long as share prices of investment trusts generally trade at a discount to their underlying assets, they will offer opportunities for corporate action – whether it is basic discount-stripping or more subtle variants, such as disguised rights issues.

While there is little new in this, corporate activity is undeniably a trend which ebbs and flows in the sector. The latest upswing in corporate activity developed in late-1987 and then persisted in 1988. During that year, over £1bn was drained out of the £20bn sector – although it should be added that a good proportion of that sum was accounted for by the bid from the British Coal Pension Funds for TR Industrial and General, the large general fund and the flagship of the Touche Remnant stable.

This can probably be attributed to a number of factors. In the wake of the stock-market crash in 1987, trust discounts naturally widened, in turn enhancing the possible returns for those contemplating aggressive action. Stakes in a couple of specialist Japanese trusts, for example, were built up when discounts had widened to over 30 per cent. Indeed, as discounts have narrowed significantly in the current year, the pace of corporate restructuring does appear to have eased again.

Moreover, the desire of certain long-standing institutional shareholders to cash in their investment trust chips – at the right price – has also become noticeably more pronounced. This may be due partly to the expansion of in-house investment capabilities, reducing the need to buy in specialist investment expertise. However, it is also probably fair to suggest that such institutional attitudes are influenced by the fact that many insurance companies are now selling rival unit trusts.

Finally, there has been some clearly discernible activity within in the sector by elements of the US arbitrage community. This, too, has given additional impetus to the corporate agitation. Last year, for example, AJS Partners proved the agitating forces which led to the restructuring of Drayton Japan, while the Grace-Pinto concert party mounted a similar campaign at Cresent Japan, a trust managed by Edinburgh Fund Managers. The same investors have since re-emerged with a stake in TR Technology, although intentions here remained less clear.

Even the torturous end-game at Cambrian & General Securities, formerly the UK vehicle for Ivan Boesky, the convicted US arbitrageur, was largely a US affair, with the New York-based Leucadia National Corporation emerging as the bidder for the trust.

And corporate activity is, in many ways, self-generating. While sufficient anxiety exists about external threats to funds under management, the pressure on managers to seek more palatable, pre-emptive solutions is obviously considerable. This, in turn, has provoked a variety of solutions – ranging from conventional unitisations through to more intricate financial engineering, in the form of split-level reconstructions.

The desire of certain institutional shareholders to cash in their investment trust chips – at the right price – has become more pronounced

The shift towards more complex restructuring is usually a matter of self-interest; while a unitisation may usefully boost funds for a management group which is seeking to build up a unit trust arm, it inevitably invites a certain proportion of the trust's shareholders to exit for cash at close to underlying net asset value. The great charm of split-level reconstructions is that all the funds under management are retained.

Even so, the reason for the disappearance of the largest single slug of funds from the sector – TR Industrial and General bid – fell into none of these categories. It was a case of a major institution using an investment trust as a means of putting funds into the London market on highly attractive terms.

The timing of the £560m bid proved, with the benefit of hindsight, to be near-perfect. It was pitched at a fixed price – rather than a stated percentage of net assets. And, although it was launched shortly ahead of one of the market's many trade figures-induced slumps – hence making the timing look rather foolish in the short-term – this proved a temporary blip, and the institutional fund managers called the more fundamental turn in the London market remarkably well.

For some small investors, the bid was a less happy experience. The pension funds failed to increase the offer, and as the first closing date arrived, acceptances – followed by a tea-time market raid shortly after the 3pm close – took the bidder over the 50 per cent mark. The trust was effectively acquired at 92 per cent of underlying net asset value.

Worse, TRIG had failed to secure any loan note alternative from the pension funds for shareholders, to help mitigate capital gains tax problems. Small investors, therefore, found their fate decided for them – and it consisted of an unattractive exit price and no CGT alleviation.

While the bidder could scarcely be blamed for maximising its own position – and played the situation with a good deal of skill – the episode was hardly helpful for the investment trust movement generally, attempting to sell its wares to a wider "small investor" audience. The possibility of having to cope with corporate action remains one of the stumbling blocks for a less sophisticated audience – and on experiences like TRIG, potential investors would do well to be a trifle wary.

The extent to which corporate activity will continue to rumble on is a moot point. The narrowing of discounts during 1989 has played a part in reducing hostile action; indeed, a more noticeable trend recently has been the launch of new trusts. Moreover, the greater interest shown by private investors and the growth of saving schemes inevitably makes a predator's task more difficult.

That said, it is estimated that around 75 per cent of the industry's assets are owned by institutions, and that about two-thirds of these are "willing sellers" at the right price. On that basis, there is still a sizable slug of assets available for "reconstruction", before supply and demand come into closer alignment.

Nikki Tait

Their pension fund managers struck a new seam, too

DEALING: **Christine Stopp** on the simplest ways to buy shares in trusts

Savings schemes help cut costs

MANY PEOPLE forget that investment trust shares are just like any other kind of share, and can be bought in the same way, through a stockbroker or no-frills share-dealing service. For the private investor, however, this is not the cheapest way to buy and sell.

Stockbrokers nowadays offer execution-only dealing services less and less, and when they do there is a high minimum charge. Whether through a broker or a specialist volume execution dealing service like Barclayshare or Fidelity, investors may pay a minimum fee ranging from £15 to £40 or more.

The industry has got round this problem through the misleadingly named savings and gift schemes. These are now available on over 80 investment trusts, including the major ones. They provide a means of buying investment trust shares by post from the management group, in much the same way as one might buy unit trusts by clipping and sending off a coupon.

The savings and gift schemes were started as a way to allow the public to buy shares in small monthly instalments. This continues to be their prime purpose, and the monthly minimum investment ranges from £20 to £30. The schemes also permit investors to make a lump-sum purchase, whether or not they are regular savers.

Apart from the convenience of the schemes, almost all of which now offer a selling facility as well, their great advantage is their low cost. In order to operate a scheme, the dealing arm of the management group will make a large monthly purchase of the relevant investment trust's shares. These can be bought at very fine commission rates, because of the group's purchasing power in the market. As a result, many of the schemes quote commission rates on purchases and sales of 0.2 per cent. A few make no commission charge at all.

Investors should, however, beware: charges on the schemes do vary, and a few contain some unpleasant surprises. The Fleming scheme, for instance, though it makes no commission charge on dealing, has a 1 per cent fee on both purchases and sales, with a minimum of £1 on purchases. This results in a hefty 4 per cent charge on the minimum monthly share purchase of £25, though the minimum monthly amount can be paid in annual, half-yearly or quarterly instalments.

Henderson, with a monthly minimum of £50, quotes a purchase fee of 1.5 per cent, with a £2.50 minimum. MIM charges a minimum commission of £1 on all purchases. Its monthly minimum is £20. A £10 fee on sales is common among the schemes.

The great problem the investment trust industry has always faced in approaching the private investor is how to find a mass distribution outlet for its shares. Advisers who traditionally deal in insurance products or unit trusts are not impressed at being asked to split a stockbroker's dealing commission of 1.65 per cent.

To get round this problem, a few investment trust management groups have decided to pay a 3 per cent commission to advisers on lump-sum investments through the savings and gift schemes. There is controversy in the industry over this: a big attraction of investment trusts is their low dealing costs, and to put on a commission equal to that on unit trusts must reduce the argument for buying investment trust shares.

Ivory & Sime report that their commission-paying scheme is proving successful in attracting advisers. In July they reported that strength of demand had lead them to move to daily dealing. However, their decision to woo the broker has unpalatable consequences for the direct investor. In order to encourage people to use brokers, the group imposes the 3 per cent charge whether or not the investor comes through a broker.

Other groups have not gone to this extreme. Fleming makes a 3 per cent commission charge on dealings through brokers, but not to members of the public dealing direct.

The new interest in investment trusts among Fimbra (that is, unit trust and insurance) intermediaries has lead to the growth in the number of investment trust advisory services. These vary in cost enormously, with Fimbra brokers usually making an initial charge per deal, comparable to that on a unit trust, while stockbrokers or private-client equity portfolio managers are much cheaper.

At Dunbar Boyle and Kingsley, the only amount payable is the dealing cost of 1.65 per cent per transaction for discretionary clients using the firm's own nominee service, or 2 per cent for advisory clients not using the nominee service.

More expensive are those of private-client stockbrokers Robert White, a Hill Samuel subsidiary, and Whitechurch Securities and Hargreaves Lansdown, both of which are better known as unit trust brokers. All three make an initial charge on each purchase as well as an annual charge. Whitechurch has the highest charges, but a minimum annual charge of £300 from Robert White will particularly penalise the smaller portfolio. Of the three, only Hargreaves Lansdown makes no further commission charge on purchases and sales.

As private investors become more interested in investment trusts, and hence advisers find them harder to ignore, the problem of paying commissions and charges will become more acute, and investors will have to shop around more and more for the best-value service.

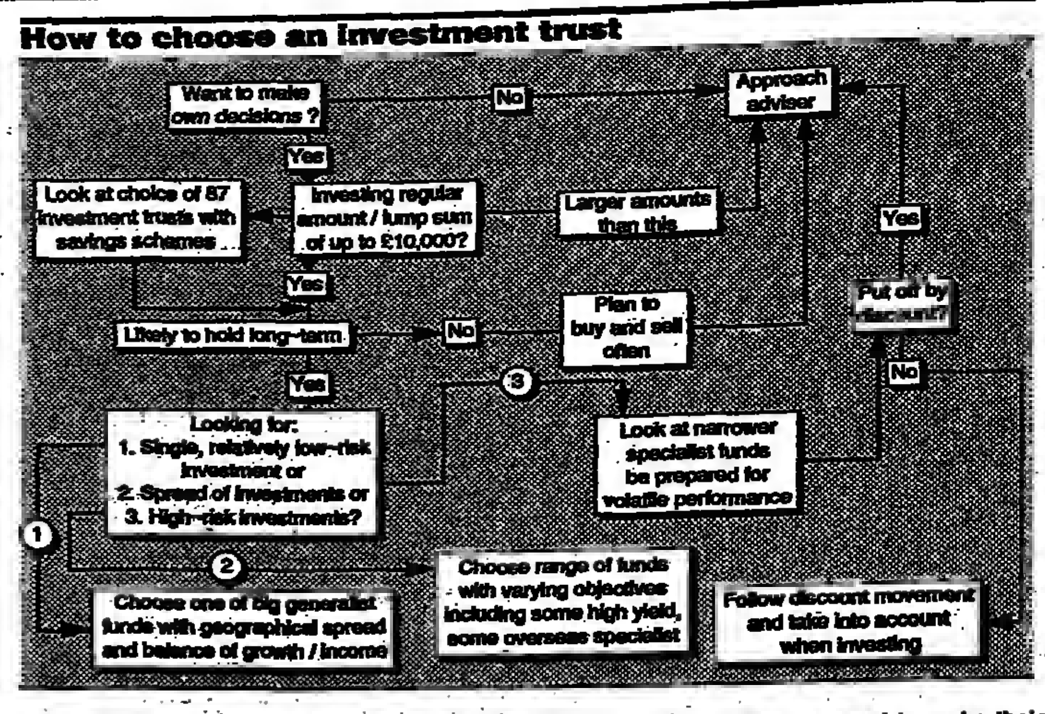
In order to make buying and selling shares easier for the broker, the AITC is currently considering a screen-based dealing service for Fimbra advisers and others such as solicitors and accountants. A feasibility study has been prepared by County NatWest WoodMac. If the scheme gets the go-ahead, it could be up and running by next year, giving non-stockbroking advisers less and less excuse not to deal in investment trusts.

Cost of dealing in investment trust shares

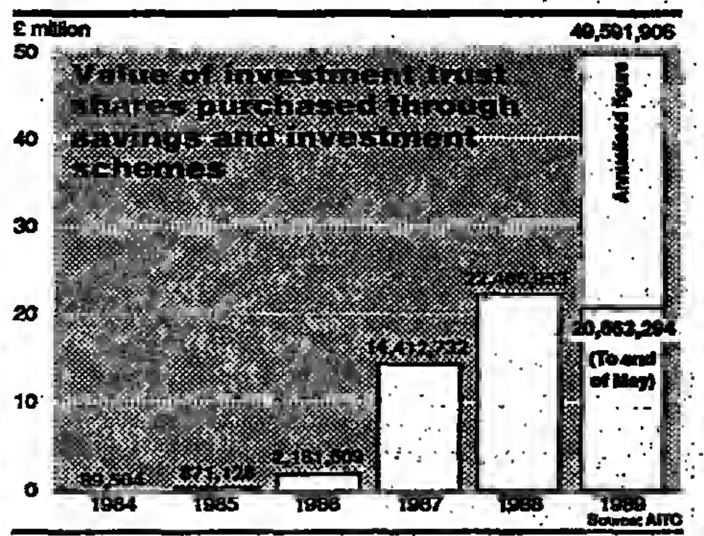
	Discretionary/ advisory	Minimum portfolio	Initial fee	Annual fee	Dealing charges*	Other
Taylor Young Inv Management (01-407 3452)	0	None	1 per cent**	1 per cent	0.75 per cent	£11.50 custodian fee per transaction
Dunbar Boyle & Kingsley (01-929 5252)	Both	£10,000	-	-	1.65percent(D) 2 per cent (A)	-
Robert White (031-226 5777)	0	£20,000	5 per cent***	0.5 per cent (min £200)	1.65 per cent	-
Whitechurch (0272 667277)	0	£5,000	5 per cent***	1.5 per cent	0.75 per cent	-
Hargreaves Lansdown (0272 741309)	0	£5,000	5 per cent***	1 per cent	-	-

D=dealing; A= advisory; *on all purchases and sales; **once only set-up fee; ***on all purchases

How to choose an investment trust



☐ INVESTMENT trust savings schemes are ideal for investors who are prepared to make their own buying and selling decisions. Given the wide range of funds on offer from the schemes, the go-it-alone investor can happily confine his choices to those investment trusts which have a scheme attached. The decision trail helps you decide whether you should go through a broker or make your own decisions. The Association of Investment Trust Companies, Park House (6th Floor), 16 Finsbury Circus, London EC2M 7JJ (tel 01-588 5347) can provide up-to-date details of charges and conditions on all available savings schemes. *Christine Stopp.*



PEPs: tax changes make them more worthwhile, says **John Edwards**, as . . .

Managers spot a Budget loophole

INVESTMENT trust groups were distinctly slow off the mark in responding to Personal Equity Plans. There was a lukewarm response when the Chancellor first announced the whole idea of PEPs in the 1986 Budget.

Most investment trust groups appeared *contemptuous* of the whole idea, arguing with some justification that savings schemes provided better value for money, as the extra charges involved with PEP schemes tended to more than offset the tax savings, especially for standard-rate taxpayers.

There was a strong element of sour grapes, since investment trusts could have expected to be favoured in any plan to widen share ownership, but instead were lumped together with unit trusts. In theory, investment trusts, as shares quoted on the Stock Exchange, should be the ideal vehicle for a PEP. Instead they have been treated as an alternative collective investment scheme, just like unit trusts, and made subject to the same restrictions on the amount that can be invested.

There are signs of an awakening, and this time the unit trust groups are not going to be allowed to have the field to themselves

As a result, PEP-linked investment trusts have been few and far between. Most groups, with the exception of the Alliance Trust in Dundee, felt it was simply not worthwhile putting much effort into PEPs, since the financial rewards were poor and the industry is not geared up to sell to the general public in the same way as unit trust groups or banks.

However, the radical changes made to PEPs in the last Budget has made everyone think again, including the investment trust industry. Once again it has been slow to respond, but there are signs of an awakening, and this time the unit trust groups are not going to be allowed to have the field to themselves.

The sums involved are much bigger, and the PEP scheme much more flexible and less costly to run, especially for collective investment schemes. The tax-free concessions can no longer be dismissed as hardly worthwhile, especially for the high-rate taxpayers and more sophisticated investors, who tend to favour investment trusts.

Unfortunately, investment trusts were hit by the one new restriction introduced in the Budget. This was the requirement that both investment and unit trusts hold at least 75 per cent of their funds under management in shares quoted on the London Stock Exchange to qualify for the PEP tax concessions.

Many of the existing investment trusts would have to change the investment policy radically to meet this requirement, which might not go down very well with their shareholders. Even those *investment trusts that do qualify* are nervous about the lack of flexibility imposed by having to maintain over 75 per cent of holdings in the UK market.

Following representations from the Association of Investment Trust Companies, spearheaded by the Alliance Trust, the Treasury made one concession. It said that up to £750 could be invested in a stand-alone investment or unit trust that held more than 25 per cent in overseas stocks, outside the UK. However, this £750 uses up the normal maximum quota of £2,400 that can be put into stand-alone trusts; so any amount invested above that figure, up to the maximum of £4,800 permitted in a PEP in any fiscal year, has to be invested direct in individual shares.

This concession applies

Continued on page 6

Jeff Prestridge talks to the retiring AITC chairman and his successor

Savings are in bloom, PEPs in bud

COLIN Hyndmarsh Black, the present chairman of the Association of Investment Trust Companies, has been involved with the industry for more than 30 years.

Yet, in spite of having had a glittering career — becoming deputy chairman of the industry's flagship trust Globe in 1983, and a non-executive director of a number of other established trusts — it has been the last two years, as chairman of the AITC, that have excited him most.

Such a comment from Black is not surprising. As chairman of the association, he has overseen a dramatic turn-round in the fortunes of the investment trust industry — from one that was bleeding to death through unfriendly corporate activity, to one that is currently benefiting from unprecedented consumer demand.

While Black is too modest to take credit for the transformation, it cannot be denied that, during his term of office, the AITC has been more vocal than ever before in getting its message across to the general public, financial advisers and the regulators.

He is quick to point out the herculean efforts of the AITC's adviser, Phillip Chappell, and press officer, Lesley Renvoize, in putting investment trusts on the map.

Asked to single out the most important event during his period of office, Black instantly refers to the blossoming of the industry's savings and investments scheme.

"Not long ago, the great majority of the AITC's membership was wary of advertising its products," he says. "Now, however, we have over 90 investment trusts offering savings schemes. Investors have realised the value for money that such schemes offer; while, on the other hand, investment trust companies are content to see their predominantly institutional shareholder bases being diluted month by month."

Colin Black (left) hands over to Michael Hart next month

Black mentions the amount (between £600,000 and £700,000) that Globe is currently receiving through its monthly savings scheme as evidence that investor demand for investment trusts is greater than ever. Other investment trust houses are doing even better — Foreign & Colonial (£1m) and Fleming (£1.5m).

He also draws encouragement from the type of person who is being attracted to investment trusts. "Over the last six months, we have begun to attract the first-time investor. We have also seen people move their investments over to investment trusts."

While Black has also been pleased with the efforts of the AITC in ensuring that financial advisers are aware of investment trusts, his chairmanship has not been without problems.

It was little over a year ago that the Touche Remnant Industrial & General trust, the largest trust to date, was broken up by the British Coal Board pension fund. Although corporate activity has since died down, Black believes that it still remains "a shadowy figure".

"In the final analysis, every investment trust company has to justify its existence. And if its performance is poor, then corporate activity is bound to ensue."

He draws comfort, however, from the fact that the industry has regained its self-confidence, and from the effect that savings schemes are having in keeping down the discounts on specific trusts.

Indeed, he feels that, over the medium-term, discounts will fall further from their present 16 per cent, thus presenting less scope for predators.

Black's term of office will be completed at the end of November. He will leave the AITC and the investment trust sector in a far better state of health than when he was appointed in December 1987. As he puts it: "The industry has turned the corner and is ready to fight and take its opportunities with both hands."

Colin Black's term of office finishes at the end of November. He leaves the AITC and the sector in better health than when he was appointed in December 1987. His successor, Michael Hart, has a reputation for getting things done and being innovative in the process

Not that his replacement, Michael Hart, will be left with nothing to do. He has already earmarked important areas which he would like to see the AITC tackle head on.

Hart, managing director of Foreign & Colonial, was the natural choice to follow the period of good work done by Black, having been his deputy chairman. In spite of a diffident exterior, Hart has a reputation throughout the investment trust world for getting things done and being innovative in the process.

Indeed, it was Hart who, back in 1984, first introduced the concept of a savings scheme into the investment trust movement. Like Black, he brings a wealth of experience to the chairmanship, having spent all his working life (35 years) in the sector, where he started as an office boy.

The first area that Hart would like to address is the personal equity plan market. Despite the recent changes made by the Chancellor to the PEP vehicle, which enable investors to have up to £2,400 invested in a qualifying investment trust, Hart still feels that the restrictions are too galling.

It annoys him intensely that trusts such as Foreign & Colonial and Globe are excluded from qualification because of their overseas exposure, while new trusts, like River & Mercantile's Extra Income trust, are able to attract £4,800 because of their new share-issue classification.

"Investment trusts need to play a full part in the PEP market. We will continue to argue with the Treasury in order for that aim to be fulfilled," he says.

Hart is also keen to develop his industry's relationship with the independent financial adviser. He hopes that the Securities & Investments Board's impending retail review will provide a more level playing field for investment trusts, and hence greater scope for the IFA to recommend investment trusts to clients.

He is also confident that the AITC's regional seminars for advisers, scheduled for November, will further enhance the growing relationship between the investment trust movement and the independent financial adviser.

With the AITC complementing its seminars with a new series of fact-sheets (the first will be on investment trusts and women) and improved statistics, it is no wonder that Hart is confident about his industry's future.

"We have a fantastic product here," he says. "Although it is early days for the new advance of the investment trust industry, I see no reason why large sums of money should not continue to flow into the sector."

Hart's chairmanship at the AITC could be the signal for a new bright dawn, not only at the association but also throughout the investment trust movement.

NEW ISSUES

Launches reflect sector's optimism

HOW THE fortunes of the investment trust movement ebb and flow.

Little over a year ago, following the break up of Touche Remnant's flagship trust, Industrial & General, there seemed every indication that the industry was living on borrowed time. Corporate activity was rife and showed little sign of abating.

However, 1989 has seen a remarkable transformation in the industry's fortunes, culminating in a number of groups deciding to launch new investment trusts.

Furthermore, these new issues have been warmly received by investors, financial advisers and institutional investors alike. Most of these trusts have resultingly seen their share prices stand at a premium to net asset value subsequent upon initial dealing.

The most common category of new trust has invested in far eastern markets

The new trusts that have been launched this year have tended to fall into four categories. The most common has been that investing in the far eastern emerging markets. CST Emerging Asia, Templeton Emerging Markets, Pacific Property Investment, Thornton Asian Emerging, Pacific Horizon and, more recently, Drayton Asia Trust have all been successfully launched, eschewing the virtues of the smaller Asian markets.

According to Jim Mellon, a director with Tyndall Holdings which has been responsible for the successful launch of three Far Eastern investment trusts this year, demand has resulted from the fact that many institutions currently have little exposure to the far eastern emerging markets.

"Many institutions in the UK are cashed up and anxious to develop a core position in the emerging markets," says Mellon. "There is no better way of getting that exposure, either from a convenience or tax-efficient point of view, than by investing in an investment trust."

John Korwin Szymanowski, head of investment trust research at S.G.Warburg Securities, agrees with Mellon. He also believes that the lack of existing emerging market trusts (TR Pacific and Pacific Assets apart) has encouraged the flood of new far eastern issues.

"There are few trusts investing in the Far East, apart from Japan, says Korwin Szymanowski. "What with the area booming and markets opening up, it is no surprise that investment trusts are capitalising on this."

The second type of new issue has been the high income trust, initiated by Fleming High Income, in April, and a direct result of the Budget's equalisation in tax incurred on capital gain and income. Investors have been eager to buy into these trusts.

Indeed, the Fleming trust was massively over subscribed at the end of its offer period, applications for the 7.88m ordinary shares surpassing 25m. Applications therefore had to be scaled down.

Since the successful placement of High Income, Fleming has latched on to this trend again by reorganising its Technology investment trust into a split-capital investment trust, and changing its name to Fleming International High Income.

Other trusts have followed this split option, in so doing offering investors a choice of high income or geared capital growth. They include Sphere, Gartmore American Securities and Meldrum.

This passion for income has been taken up by other investment trust houses, and is the third type of new issue. River & Mercantile and Ivory & Sime have both launched high yielding investment trusts (Extra Income and Optimum Income), yet they have enabled investors to use the new issues to place up to £4,800 under the shelter of a personal equity plan.

According to Piers Godfrey, director of River & Mercantile, the new trust was driven both by investor demand and a golden marketing opportunity.

"When we first thought about the launch of a new trust, we felt that there was still a market for an income trust. We then realised that there were few investment trusts which could qualify for PEP status. Given our further classification as a new issue, we said: why not wrap the new issue up with a PEP?"

The final trend that has emerged from the new issues market has been the launching of esoteric trusts. North American Gas and Leveraged Opportunities fall into this category, both trusts providing a level of expertise which would not otherwise have been available to institutional investors.

While the launch of new investment trusts has been dictated by the micro factors discussed above, it is also important to realise that other general factors have played their part.

The industry-wide fall in the discount level has played a paramount role. As well as increasing the confidence of the sector, it has enabled investment managers to launch trusts without fear of their moving on to a massive discount once dealing begins. Brokers who were once supporting the break up of investment trusts (BZW, for example) are now encouraging their formation.

Provided there is no big market correction, expect to see further launches soon

The massive interest which independent financial advisers and private investors are showing in the investment trust movement has also helped groups launch new trusts. As Korwin Szymanowski, of SG Warburg Securities, says: "Most of the new trusts have been formed with the private investor in mind. The demand is there."

Will new investment trusts continue to be formed? According to Szymanowski, there is no reason why not. With savings schemes ever more popular, PEPs invigorating the industry, and financial advisers turning their attention to investment trusts, he sees little pressure on discounts to widen out.

Provided there is no massive stock market correction, expect to see further investment trust launches in the near future — including those investing in single Asian markets and those investing in Europe. The investment trust industry's boom days are here again.

Jeff Prestridge

Money Management

Tony Andrews

For the ordinary saver, the relatively low costs involved make investment trust-based PEPs among the best value on the market

Help from tax concessions

Continued from page 5

equally to investment and unit trusts, but it is most likely to be utilised by investment trusts.

However, another unwitting concession made in the Budget is promising to be exploited even more effectively by investment trust groups. A loophole has been discovered by which, instead of being restricted to investing a maximum of £2,400 in a stand-alone investment or unit trust, it is now possible to invest up to £4,800 solely in an investment trust.

River & Mercantile were the first investment trust to exploit the loophole, which results from the concession that investors in a new issue can transfer their shares into a PEP within 30 days of the allocation date. This concession was made by the Government primarily with privatisation issues in mind, but River & Mercantile spotted that it could also apply to new issues of investment trusts.

So it launched a new split-capital trust, the Extra Income Trust, and simultaneously invited investors to transfer any allocation of shares received, up to £4,800, into one of its two new PEPs. One of the PEPs invests solely in the new Extra Income Trust, which has been specifically designed to provide a high income (with an estimated initial 10 per cent yield on the issue price during the first year).

It is a split-capital trust of £50.3m, of which £19.1m was pre-sold zero-coupon debenture stock, repayable in 11 years time, and £1.2m. warrants, leaving £30m-worth of ordinary shares. The high yield is achieved by the fact that the ordinary shareholders receive 100 per cent of the dividend income, in spite of only accounting for 60 per cent of the total holdings. In fact, £22.5m of the ordinary shares were also pre-sold, so only £7.5m was available to the general public.

Ivory & Sime have quickly followed with a similar, but rather simpler and much larger scheme. It has also launched a new split-capital investment trust, the I&S Optimum Income Trust, which will have 40 per cent pre-sold zero dividend preference shares and 60 per cent ordinary shares. The fund is targetted to total some £100m, but this depends on how many of the ordinary shares are taken up. Nevertheless the 60/40 ratio will be maintained. The initial yield is estimated at 8.5 per cent, but the fund has a life of only 7½ years before the zero dividend shares become repayable.

Richard Carswell, of Ivory & Sime, who is pioneering the sales of investment trusts through intermediaries, believes that there is a huge potential market for investment trust PEPs of this kind, which are able to provide a high income together with a very good prospect of capital growth. In the early stages, the PEP reinvests the dividends, but after April next year, when independent taxation for married couples comes into force, investors will be offered an income withdrawal option.

It remains to be seen how long this loophole will continue, at least as the exclusive property of investment trusts. Meanwhile, however, a series of more traditional and simply PEP investment trusts are on offer, either from groups direct or via banks and stockbrokers. With the relatively low costs involved, investment trust-based PEPs must be among the best value on the market, although they are not sold with such aggression as their unit trust rivals.

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The view from the circle

BUT WILL it be all right on the night? That question will be on the lips of all the Tory faithful as they convene in Blackpool next week. Shaken by the trade figures last week, then stirred by base rates at 15 per cent, they can see that this is no ordinary blip. Maybe, the show will not come right for a fourth hit performance at an election less than two and a half years from now.

But what would coming right on the night consist of? After all, the Labour Party, however reformed and repackaged, still looks like a credible opposition rather than a party with the answers to Britain's problems. But the Government has been in office a long time. Much of its current legislation – NHS reform, privatisation of water and electricity and the introduction of the poll tax – is muddled, unpopular or both. There is deep concern about the state of public services as well.

By the time of the next election, the faithful would presumably wish for inflation running at between 4 per cent and 5 per cent once again and base rates not much above 10 per cent; continued increases in personal disposable income; and substantial tax cuts in the 1991 budget in addition. A large increase in the number of jobless would not be very helpful either.

Ambiguous indicators

Does the Chancellor of the Exchequer still have time to deliver such a combination? As usual, the signs on where the economy is heading are ambiguous. Some suggest that the economy is already stagnant, but the wise rule throughout has been to assume that the economy is stronger than the pessimists fear. Base rates at 15 per cent may not be inappropriate, even from the strictly domestic point of view.

None the less, a recession will arrive in the end if monetary policy remains this tight (the reduction in National Insurance Contributions from October 5 notwithstanding). For consumers real short term interest rates are around 7½ per cent; for producers they are close to 10 per cent. At such rates of interest borrowing for gain will shift into borrowing from distress, which will then turn into distress itself.

The slowdown, if sharp enough and not too long delayed, could force the rate of rise in earnings back to 7½ per cent within the next 12 months. The price would be a rise in unemployment, almost certainly to well above 2m. This would secure the desired reduction in underlying inflation, however, and would provide the conditions in which lower interest rates and an expansionary budget would be sensible, from the domestic point of view, in 1991. The economy might even pick up again, just in time for an election in the autumn, though this would be a close-run thing.

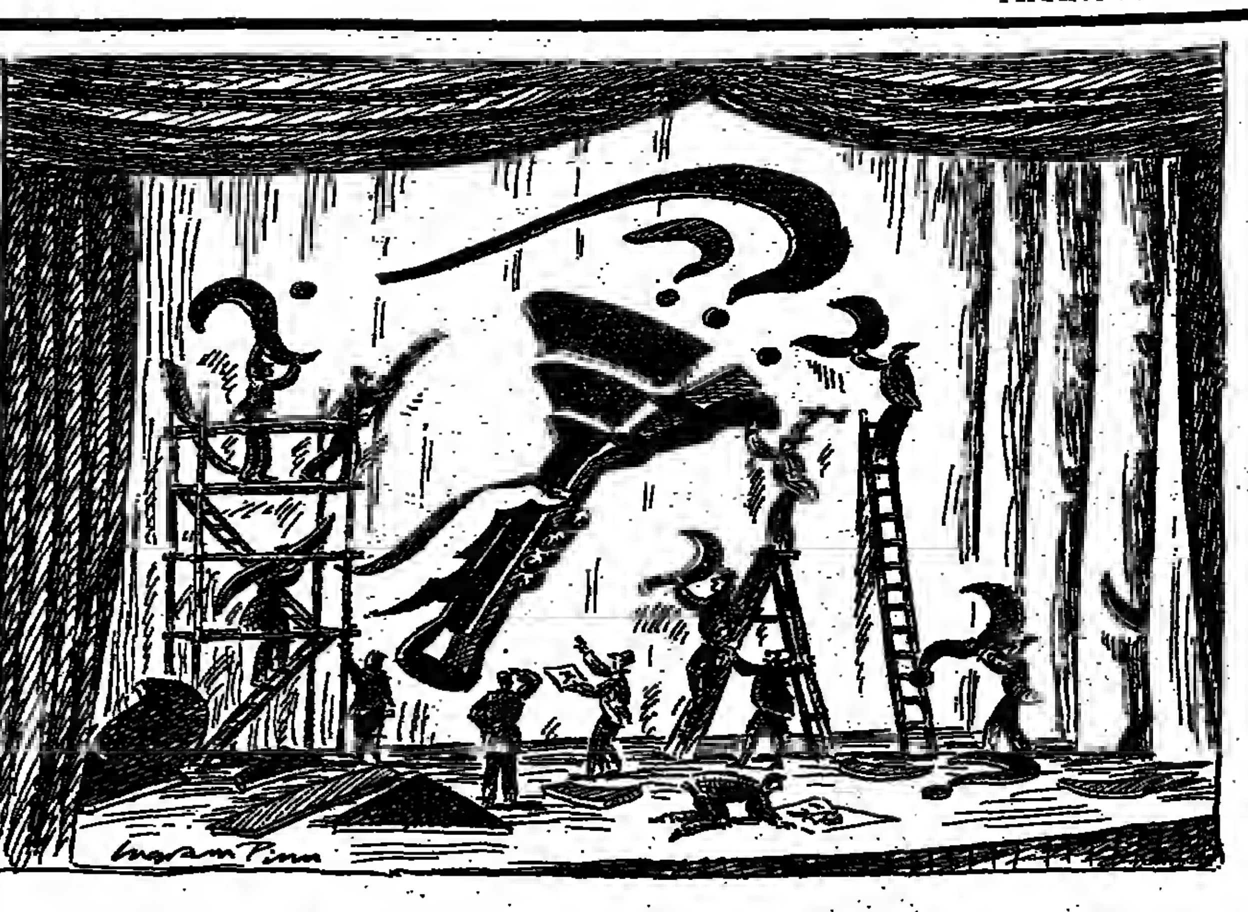
Fly in ointment

Can the faithful then breathe comfortably and wait for the joys of 1991? The fly in this ointment is the external position. The huge increase in the external deficit was helpful to the Government this far. It prevented the expansion in demand in 1987 and 1988 from generating inflation well in excess of 10 per cent; it has also given the authorities precisely the combination of high interest rates and a lower exchange rate they were hoping for in the first half of 1988.

But one can have too much of a good thing. Mr Lawson argues that a purely private deficit is a purely private concern. This is implausible when the policies which determine the external value of the currency, including interest rates, are largely under Treasury control. The current account deficit would probably remain well over £10bn even if the UK economy were to fall into quite a steep recession next year. Flows of short term capital would still be required from investors who are well aware of the political pressures for lower rates of interest and so of the large currency risk.

For this reason the UK will have to go on paying a premium over interest rates in the rest of Europe, particularly in West Germany. Moreover, given the current buoyancy of demand, European interest rates may well not fall very far over the next year or two. This suggests, in turn, that the price the Government would have to pay for base rates back at 10 per cent, especially if combined with large tax remissions, would be a substantial depreciation of the currency and risk of renewed inflation.

So what should the fretful spectators in Blackpool be saying to the major actors in the play? "You are paying the price of lost credibility and your continuing fantasy of monetary sovereignty, effortlessly demolished by the Bundesbank this week. Impose a harsh squeeze next year. Then go into the exchange rate mechanism of the European Monetary System before the election, on a wide band. It is the only way you will get both lower interest rates and a degree of currency stability in 1991. It is, in fact, the obvious way to avoid the flop we now see looming ahead."



Philip Stephens looks at Conservative preoccupations ahead of next week's party conference

In search of the Tory soul

There can be little room for doubt about the immediate anxieties which will dominate the agenda at a distinctly nervous Conservative party conference in Blackpool next week.

This week's rise in interest rates to their highest level since the dark days of 1981 will reinforce the intense concern among Conservative MPs that they risk losing their most treasured electoral asset – an unmatched reputation for competence in running the economy.

Few of them believe that the Government is as yet in danger of losing its commanding parliamentary majority in a general election which could still be well over two years away. Many of them, however, are far less confident of retaining their own seats at Westminster.

A Government that was only last year proclaiming that it had presided over a miraculous transformation of the British economy now finds itself facing perhaps the most difficult and uncertain outlook since its first term of office.

Still higher borrowing costs – hitting the first-time home buyers and small businessmen who have been among Mrs Margaret Thatcher's most loyal supporters – are hardly conducive to the traditional triumphalism of Conservative conferences.

The coincidence of the latest interest rate rise with the shift towards the centre and the strong revival in the opinion polls of Mr Neil Kinnock's reshaped Labour party has deepened the uncharacteristic gloom.

But if offering reassurance on the economy will be the most urgent and central preoccupation of the ministers who will be trying to lift morale in Blackpool, most acknowledge that it should not be the only one.

As Mr Nigel Lawson put it himself in a carefully-argued lecture to the Centre for Policy Studies last year: "While economic failure will most certainly drive a government ont of office, economic success alone will not ensure that it retains office." Governments, he added, had to show they had "moral authority" as well as a reputation for competence.

The conference agenda provides a convincing echo of that sentiment. The complaints over high interest rates are accompanied by concern that the Government is not responding to the issues which may dominate the political agenda of the 1990s.

The environment, transport, the quality of public services like health and education, rising crime rates, the community charge and planning regulations have all moved firmly to the top of the list of Conservative preoccupations.

In some instances, the job of ministers will be simply to put out fires, and they are already responding.

> **'Economic failure will drive a government out of office, but economic success alone will not ensure it retains office'**

The decision this week of Mr Chris Patten, the Environment Secretary, to turn down plans for a new town in Hampshire indicates that the Government will be much more responsiva than hitherto to the sensitivities of Tory shire counties.

As Mr Patten made clear in his accompanying statement, the planning system will henceforth be used to curb the intense market pressures for a big increase in housebuilding in the South East. It will become an interventionist "tool of environmental management."

The Environment Secretary will also react next week to the rising alarm among MPs about the impact of the introduction of the community charge with a pledge of more Treasury cash to ease its implementation.

The other "quality of life" issues offer a much more fundamental challenge to Mrs Thatcher's Government, one which many senior Conservatives believe that it has yet to grasp.

Mr Kenneth Clarke, the health secretary, acknowledged the need for a shift in direction in a lecture earlier this year to the Tory Reform Group.

"It is probably more important for our society that British hospitals and British schools should be the best in the world than it is that British car-factories, British steel-works and coal mines and British banks should be world leaders," he said.

An editorial in the pre-conference issue of the magazine of the centrist Bow Group echoes that theme.

Voters, its says, have to be convinced that Toryism is "not merely about making 'loadsa' [money], about getting richer and having more leisure time, about a privatisation of responsibilities best shared by all."

Others in the party put it another way but the underlying message is the same.

The political success of Thatcherism in the 1980s has been based on ridding Britain of the collectivist, egalitarian and "welfarist" assumptions of the post-war consensus and on replacing them with policies to unshackle markets and to promote individual opportunity and reward.

The task now is to reconcile that successful focus on enterprise and the individual with an acknowledgement that protecting the environment and improving public services will often require intervention or collective action.

There is no question of a marked shift from the underlying strategy which has won the Government three consecutive terms in office.

Its once-controversial approach to economic management – giving priority to the control of inflation, deregulation of financial and labour markets and privatisation – is now firmly embedded as Conservative orthodoxy.

As Mr Clarke commented in his Tory Reform Group lecture. "Third term Conservatism is neither wet nor dry. The great changes of economic and industrial policy and the great battles over them are now behind us."

Ministers privately acknowledge, however, that some tensions are inevitable if the Government is to avoid what Mr Clarke called a "soul-less affluence" in which the environment and public services deteriorate and the disadvantaged are left behind.

The most obvious potential conflict is that between increased public spending and cuts in taxation.

Should the Conservatives go into the next election with a pledge to reduce public spending further as a share of national income and use the freed resources to reduce the burden of taxation and pay off more of the national debt?

Or should it argue that its achievement in the 1980s of halting the rising trend of public spending and cutting tax rates now allows for a period of consolidation?

Mr Kenneth Baker, the party chairman, signalled clearly his preference at the launch two weeks ago of the agenda for next week's conference. The 1980s, he said, had been about re-establishing Britain's ability to create wealth.

The rise to the top of the political agenda of quality of life issues would make the focus of the next decade the decisions on how that money should be spent.

It is not a judgement that wins the unanimous support of his colleagues – least of all Mr Lawson who is still committed to sharp reductions in taxation.

It also assumes that the economic pressures of the 1990s will be significantly less of a constraint than those of the 1980s, a judgment challenged by one of his principal rivals for the Tory leadership when and if it becomes free – Mr Michael Heseltine.

But Mr Baker's remarks do underline the growing interest of ministers in the quality of public services.

Among other rivals for the leadership, Mr Patten, Mr Clarke, and Mr John Major, the Foreign Secretary, have all made speeches on the same theme in recent months. Taken together they provide the strands on which Mrs Thatcher will probably draw in shaping the next manifesto.

The common thread is that having redefined much more tightly the boundaries of the public sector, the Conservatives must now focus their attention on ensuring that it becomes as efficient and responsive as the private sector.

The underlying philosophy – already apparent in Mr Baker's education reforms and in the planned overhaul of the NHS – is to foster a more managerial, competitive and devolved structure in which the services are more responsive to the needs of consumers.

The changes are put as an alternative to "throwing money" at the problems and can be melded easily into Mrs Thatcher's present philosophy. But the more realistic add that inevitably they will be accompanied by a substantial addition of new resources.

Similarly the commitment to respond with privatisation to the declining standards of rail and bus services will be accompanied by substantial injections of taxpayers' money into the transport network.

For its proponents, however, the creation of a more "caring Conservatism" goes much wider than simply reforming and pumping additional money into state services.

It involves directing more energy and resources into helping the less affluent, assuming a much more active role in setting and enforcing environmental standards, and giving renewed emphasis to the role of the value of community as well as individual decisions.

It acknowledges that the role of market forces in public services will necessarily remain limited and implies a more active role for that traditional Thatcherite "bogeyman", the local authority.

Mr Patten will also emphasise at next week's conference the vital role of the state as a "trustee" of the environment. In the same way as it had accepted a duty in the early 1980s to ensure that the Government did not borrow at the expense of the next generation, it would now assume the same stewardship of the "environmental resources."

He will be assiduous in stressing that the application of market principles, particularly pricing, is vital to environmental protection. But even there the state will have a role through the operation of incentives and penalties in the tax system.

His speech will be followed in November by an announcement that he has won from the Treasury a small, but symbolically important, amount of additional cash to provide help for the homeless.

More generally, the conclusion next month of the annual public spending round is expected to foreshadow a large-scale expansion of spending on priority services in the immediate run up to the election.

But if Mrs Thatchers' ministers are now drawing out some of the strands of a new, less rigorously free-market Conservatism, there is little indication of where the Prime Minister will eventually strike a balance.

There is still a substantial minority of Conservative MPs, though fewer influential ministers, who will argue vehemently that what is needed in the 1990s is another burst of tax cuts, deregulation and privatisation rather than a return to Tory "welfarism".

Mrs Thatcher has proved a pragmatic politician willing to bend principle in order to hold public support. But she can hardly relish the prospect of her potential successors competing among themselves to give Thatcherism a gentler face.

> **'Third term Conservatism is neither wet nor dry. The great changes of economic and industrial policy are behind us'**

The major intellectual and political problem which had always faced Conservatives, Mr Patten remarked earlier this year, was to define "the relationship between freedom and responsibility, between the individual and the community, between market economics and social obligation."

The Government's acute economic problems and Labour's re-emergence for the first time since 1979 as a credible opposition look likely to make that dilemma both more difficult and more urgent.

MAN IN THE NEWS

Alastair Morton

A tough tunneller now has to mend fences

By Andrew Taylor

One of the first press conferences given by Mr Alastair Morton, after he was appointed joint chairman of Eurotunnel in 1987, was to discuss problems faced by the Anglo-French Channel tunnel group in raising the £6bn it needed to pay for the project.

The group – which had suffered from a series of high-level boardroom resignations – had four months earlier struggled to raise just £206m in a share placing.

Mr Morton answered questions for more than hour. He hardly referred to his notes. He charmed, joked, and occasionally bullied his questioners if he felt they had failed to grasp the subject properly.

He displayed the same self-assurance and accomplished grasp of his brief at a series of meetings with international bankers and financial institutions. Nine months later Eurotunnel, led by Mr Morton and his French co-chairman, Mr André Bénard, successfully concluded a £750m international share issue to complete the project's financing.

It was an impressive performance, given that the stock market crash had occurred four weeks before the funding was due to be completed. Much of the credit was due to Mr Morton's enthusiastic and tireless campaigning in Britain, Japan, and the US.

The persuasive forces he displayed two years ago will be needed again now it appears that the £5bn of bank finance and £1bn of equity raised is not going to be enough.

Mr Morton announced on Monday that the costs of completing the project would be at least £2bn more than originally expected. Contractors, involved in a row with Eurotunnel over claims for higher payments, say costs will be even higher.

The British joint chairman, his self-assurance unpunctured, remains convinced the projsct can still be funded despite the escalation in costs and the repeated disputes with contractors.

But, for the first time, some of the 200 banks which have agreed to provide Eurotunnel with up to £5bn in loans and stand-by credits have begun to question whether Mr Morton's abilities are best suited to handling the crisis.

They feel that, despite all his apparent toughness and the public wrangling with contractors over their performance, he has failed take a firm enough grip on all the details of managing such a complex project. They also feel that Mr Morton's abrasive personality may alienate some people and does not necessarily encourage the required team spirit.

Other banks feel that Mr Morton's toughness, strong personality, and driving determination to succeed – he can also be charming and has a wry wit – are the qualities needed to get the job done and to cope with contractors who may be more concerned with profit margins than costs.

He has some powerful supporters. Mr Cecil Parkinson, Transport Secretary says: "Alastair Morton has a difficult job on his hands but he has shown he can handle it."

Mr Morton was appointed to Eurotunnel on the recommendation of the Bank of England. The Bank, which had recognised his ability as a troubleshooter, had previously asked him to rescue the Guinness Peat banking group, which in September 1987 was taken over by Equiticorp, the failed New Zealand group.

Mr Morton, 51, was born in South Africa. He won a scholarship with Anglo-American Corporation to study law at Oxford University, before deciding to make his business career in Britain. After a brief spell with the World Bank in Washington, he returned to the UK to join the Wilson Government'a Industrial Reorganisation Corporation. He became chairman of Draymont Securities in the early 1970s, before becoming the first managing director of the British National Oil Corporation. He resigned in 1980 after disagreeing with plans to split up BNOC.

Colleagues say he thrives on crises. But one of the criticisms is that, because he works best in an adrenalin-charged atmosphere, he is weak in the calmer moments of corporate life when business is going smoothly, or the demand is for more reflective long-term strategy. Many doubt whether he will stay long at Eurotunnel once the project is built.

A former member of Transmanche, a consortium of five British and five French construction companies contracted to design and build the tunnel says: "Alastair Morton is the kind of man who cannot walk past a clear, still pool without throwing a rock into it."

He describes Morton's managerial style as confrontational: "I always fslt bs did not believe there had been a good meeting unless he had had a row. He left feeling uplifted, thinking the air had been cleared. We (the contractors) were left like limp rags."

A more serious criticism is that Mr Morton, despite his tough image, has not always been as successful in winning battles as he has sometimes appeared. Public rows over prices with BR and SNCF, the British and French state-owned railways, produced little extra revenue but created a lot of acrimony, say critics.

Similarly, rows last summer with contractors over tunnelling delays ended with contractors negotiating extra bonuses of £100m, should they meet new target dates, while the date for opening the tunnel was put back by a month to June 1993 (Eurotunnel says that contractors had wanted to put back the completion date by 11 months). Disagreements between Eurotunnel and the contractors over payment claims running into hundreds of millions of pounds were never resolved and have now resurfaced.

However, many of the criticisms come from contractors who have themselves been criticised by Mr Morton. He says they failed to think out sufficiently clearly all the problems involved in equipping a tunnel when they prepared their original costings, and are now attempting to restore profit margins at Eurotunnel's expense.

Mr Morton is sensitive about allegations that he is tough and difficult to get on with. But it was his reputation for toughness and determination that got him the job in the first place. Those qualities are still required – indeed one senior Eurotnnnel non-executive director insists tbe project would not have advanced this far without Morton leading it – but Mr Morton also needs the co-operation of construction companies and bankers. Some fences will need to be mended if the project is to be completed successfully.

Alice Rawsthorn reports on the fashion industry as the season's collections begin

Where haute couture meets high finance

This weekend a *mêlée* of models, photographers, journalists and socialites from all over the world are on their way to Milan for the start of the new season's fashion collections.

The ritual never seems to change. The *paparazzi* click their cameras. Fashion editors battle for the best seats. Models cavort along the catwalks and cover the designers with kisses at the end of the shows.

But behind the scenes the fashion industry is in turmoil. A new breed of professional investors – like Carlo De Benedetti of Italy and Bernard Arnault of France – have arrived. They are introducing modern management and a new ruthless regime to the frivolous world of fashion.

These new investors treat fashion like any other industry. Designers are hired and fired. Advertising expenditure is escalating. The cost of setting up a new fashion house is higher than ever before.

Traditionally the fashion houses have tended to be owned and run by the designers themselves. The fortunes of the houses waxed and waned with the stature of the designers. Some made lots of money. Others struggled along at a loss.

But in the 1980s fashion has become much more lucrative because of the surging market for luxury goods. The fashion houses of Paris, Milan and New York have made money by lending their names to the scents, socks and spectacles made by mass market manufacturers.

Giorgio Armani, who began in business in the 1970s and is now the most successful of the Milan designers, presides over an empire with worldwide sales of L520bn (£235m) last year. Almost two thirds of his turnover comes from licensing deals: Armani fragrances alone made sales of L85bn for Helena Rubinstein, the licensee. His collections are now sold in 2,000 stores all over the world.

Armani conforms to the traditional stereotype by owning and running his own business. But from the beginning he teamed up with accountants, lawyers and marketing managers to set up financial systems, negotiate licensing deals and co-ordinate advertising. He has also had the support of *Gruppo GFT*, the big Italian textile group, which manufactures his collections.

Giorgio Armani is an exception. Other designers have fallen prey to weak management and poor controls. At a time when the luxury goods business was booming many of the world's most famous fashion houses were barely breaking even.

These houses had the potential to make lots of money. What they did not have was the capital and management skills needed to exploit it. Their weakness offered an opportunity for the new investors – like De Benedetti, Arnault and even the Midland Bank.

Three years ago Yves St Laurent, one of the leading Paris houses, brought in De Benedetti as a substantial shareholder to provide the capital needed to buy back its perfumes from Charles of the Ritz. Lanvin, an old established Paris house, had been struggling for several years before bringing in Midland as an investor in January.

Arnault has been the most aggressive investor. He acquired Christian Dior four years ago and later launched Christian Lacroix as the first new *haute couture* house to open in Paris for over a decade. He then began a bitter battle for control of Moët Hennessy-Louis Vuitton (LVMH), the luxury goods group which owns Givenchy as well as Dior perfumes.

These new investors have already wrought big changes in the way the fashion designers operate. Arnault's impact at Dior is an example. Only a few years ago Dior was run in the same, sleepy way as many other Paris houses. It had sold off its perfumes – potentially the most profitable part of the business – in a financial crisis of the 1970s. It was losing money on *haute couture*, but made a modest profit from a string of international licenses.

Enter Arnault. A year ago he appointed Béatrice Bongibault – who had made her name at the house of Chanel – as managing director. Her brief was to make Dior – which made profits of just £13.5m on sales of £750m in 1988 – much more profitable.

Bongibault began by overhauling the licensing system. Dior now exercises stricter control over the design of its licensed products. A team of managers travels the world to make sure that the licensees meet its requirements for *quality and service. Those licensees* that did not match its standards have been dropped. All advertising is now controlled from Paris, instead of being meted out to the subsidiaries in different markets. Bongibault is also expanding Dior's retailing interests.

The most striking change came in May when Dior dropped Marc Bohan – who had presided over its collections since 1960 – and drafted in Gianfranco Ferre, the younger Italian designer. Ferre was hired – reputedly for a salary of over £1m – with a brief to revitalise Dior's design.

So far the new regime seems to be successful. The first Ferre *haute couture* collection for Dior received a rapturous reception from the fashion press. The collection is still being sold. But sales so far are already higher than those for the same collection last year.

Similar changes are taking place at other houses. *LVMH is investing* heavily in Givenchy. It is opening new shops and has introduced the first line of Givenchy cosmetics. Lanvin's old designer left within weeks of the Midland's arrival. It is now looking for a new name whose appointment will create the same sort of stir as Ferre's at Dior. Giorgio Armani is bandied about *as the likeliest candidate.*

The changes at Dior, Givenchy and Lanvin have important implications for the other houses. One of the chief consequences is that the investment involved in running a fashion house is increasing all the time. It now costs between £20m and £30m simply to advertise the launch of a new perfume. *The large luxury goods groups like LVMH* have access to this sort of capital. *The small, private houses do not.* And the cost of setting up a new house has become so high that it is much more difficult for young designers to begin their own businesses.

Two years ago Arnault invested £5m to open the new house of Christian Lacroix. The house lost £4m in 1987 and £8m in 1988. Arnault faces at least another two years of losses until the revenues from Lacroix perfumes, due to be launched in 1990, and cosmetics, coming out in 1991, start rolling in.

As well as Arnault's capital, Lacroix can call on the management resources of LVMH. His new perfume will be distributed through the established Dior network. Only last week he opened his first shops in Tokyo under the auspices of the Louis Vuitton subsidiary in Japan.

The importance of licensing as a source of income may also mean that it is more profitable to use a young designer to revive the fortunes of an established house – with an old name which is already known in important international markets like Japan – rather than to take a gamble by backing a new name.

Fewer designers will be able to raise the capital needed to set up on their own. Instead they are more likely to be hired – and fired – as freelances for the established houses. And these houses will be concentrated in the hands of a few, large luxury goods groups.

As for the collections, their future seems secure. Over 1,000 journalists will cover the collections in Paris and Milan this month for newspapers and magazines throughout the world – producing yet more publicity for the designers, the new investors and their lucrative licenses.

Yves St Laurent's other friend is Carlo De Benedetti

Noriega starts battening down the hatches

Tim Coone and **David Gardner** examine last week's failed coup in Panama

Clubs, bullets and cash are the means by which Panama's military leader General Manuel Antonio Noriega intends to retain control of his deeply-divided country in the wake of Tuesday's nearly successful coup.

On Thursday night, Mr Guillermo Endara, the main opposition leader, was arrested as paramilitary squads pushed home the General's message made public just hours before. Quoting a Spanish proverb to a crowd of cheering supporters Gen Noriega promised to mete out "stick to the indecisive, lead to the enemy, and money to our friends."

He will need plenty of all three. For it is now clear that the coup plot extended throughout the officer corps of the Panama Defence Forces (PDF), which he had restructured just 18 months before following a previous coup attempt. The new structure had rested on three pillars:

● Gen Noriega's power base in G-2 (military intelligence), which he headed till 1983. Intelligence officials who form part of a parallel general staff he has operated since taking over the PDF in 1983 were promoted. They are spread throughout the services and the lucrative PDF network of companies and rackets.

● The élite fighting units: the Urraca company which put down the March 1988 coup, and Battalion 2000, which this week defeated the Urraca, which had turned against the General. Major Moises Giraldi, the Urraca commander promoted last year and then chosen to guard Noriega, was among those rebels killed (but so too were three lieutenants from Battalion 2000).

● Senior officers thought loyal to Gen Noriega, but who were at the same time respected by the opposition, and by US officials.

These latter officers have all played lead roles in the joint defence organisations for the Canal to which the 1977 Panama Canal Treaties commit Panama and the US, and were highly regarded professionally by the US side.

As well as widening his power base and strengthening PDF cohesion, Gen Noriega aimed to signal that he would not be responsible for bringing the Canal itself into the dispute. Throughout the two year crisis the Canal has operated normally, and the General has been punctilious in avoiding any breach of the Treaties. Indeed he has insisted that at the root of the dispute is Washington's intention to hang on to the strategic waterway after the 1999 date set by the Treaties for US withdrawal.

The arrest of three general staff officers from the third group favoured by the restructuring – Col Guillermo Wong, the G-2 chief, Col Julio Ow Young, chief of operations, and Lt Col Armando Palacios, liaison officer with the US for Canal security and defence – indicates not only that the structure has been shattered, but that there appears now to be no one on the PDF side that the US can do business with.

The failed coup has raised doubts about the timetable of the 1977 Panama Canal Treaties with the US

According to an aide to Col Wong, the arrest of 27 officers, combined with the 13 dead and wounded among the conspirators, has removed those that were considered politically "neutral" within the PDF chain of command. He said their replacements will now come from Gen Noriega's inner circle, and that although this would narrow his power base, it will also strengthen his grip on the PDF.

None the less, bitterness over the unprecedented bloodletting, combined with suspicions that some captured rebels were summarily executed, casts doubt on the future loyalty of junior officers.

A further question mark hangs over the timetable of the 1977 treaties. Next year, for the first time, a Panamanian is to be given charge of the Panama Canal Commission, the US government agency which runs ths Canal. This is currently headed by an American, with a Panamanian deputy. It is now unlikely that the US will go through with the change. US officials in Panama say that the Canal will be left in the hands of the deputy administrator, who from next year will be an American. This could widen the crisis beyond the original dispute caused by Gen Noriega's indictment on drugs charges in the US, and the General is thus moving quickly to rally his forces.

His "clubs-and-cash" message was aimed at the public at large, but directed more specifically at public employees, promising financial benefits for those that support his regime and sanctions for those that do not. "Every public employee must be a vigilante against the traitors," he said at Thursday's rally. The inflated public sector payroll is almost Noriega's only base of support remaining outside the PDF, but this also has been badly eroded by the chaos in public finances. Almost every month salary payments are overdue.

The opposition ADOC alliance meanwhile, is having some success in persuading the public to withhold payment of taxes, gas, water and electricity bills, with the aim of financially starving the government and undermining this last bastion of civilian support. The resolve of the civilian opposition, however, has always been in doubt. One prominent ADOC dissident strongly criticises its leadership's reticence to support Tuesday's coup attempt. "What is the opposition doing?" he asked. "It requires risks to get rid of Noriega but they are not prepared to take them." In his view, a civil uprising to back the coup would have toppled the General.

Dr Ricardo Arias Calderon, ADOC's number two, continues to hope for a US solution to the impasse. Commenting on the last-minute failure of US forces in Panama to act in support of the PDF rebels last Tuesday he said that the US "is like a dog that barks and barks but never bites."

While excuses are being sought in Washington, a smiling Noriega this week was eager to demonstrate that he still has sufficient bite himself to cow his opponents and to maintain a vital edge in the struggle for power.

LETTERS

German reunification

From Mr Peter Thompson.

Sir, Your editorial ("Unloved but still needed," October 5) on the 40th anniversary of the GDR recycles all the old arguments for keeping the Germanies down. The division of Germany has not "kept the peace for 40 years" – it is the threat of the mushroom cloud and a Nato-Warsaw Pact confrontation that has avoided open war.

People are not fleeing East Germany for "private interests," but to escape pathetic and ailing Second World War figures like Erich Honecker, who have walled in and sealed off several generations from enjoying the peace, prosperity and freedom of movement found in West Germany. Keeping 17m East Germans in an existence reminiscent of George Orwell's 1984 is an absurd suggestion not in keeping with your newspaper's usual aspirations for a unified and free Europe.

Only the French really have anything to lose from German, and European reunification, as the geographical heart of the European Community would move from Paris to Munich, Vienna or Budapest. The remaining occupying powers should be well able to benefit from a strong, democratic and prosperous Germany.

The first moves should be to declare West Berlin as the capital of West Germany and, unless the East German Stalinists are willing to negotiate – an end to East Germany's special trading links with the EC.

Peter Thompson,
Flat 12,
215-217 Bedford Hill, SW12

'Headline' exchange rates still rule supreme on the day

From Mr L.T. Smith.

Sir, R.A. Ledingham (Letters, October 2) criticises Samuel Brittan for examining only "headline" foreign exchange rates. He is wrong to do so.

The days when companies were imprisoned by the results of their own currency hedging have long since passed. By the use of option transactions and computer stop-loss management of long-term deals, the prudent company gives itself the choice of using the spot rate or its own manufactured hedge rate for its commercial transactions of the day. When it is profitable to use the spot rate, it will do so. The spot or "headline" rate still rules supreme.

In any case, the forward rate movement is far less important than Mr Ledingham infers. At present cable levels, forward points one year ahead would increase by 1.3 cents for an increase in the interest differential of 1 per cent. 1.3 cents is far less than an average day's spot rate volatility.

L.T. Smith,
29 Markham House,
Kingswood Drive,
West Dulwich, SE21

English education

From Mr Peter Barker.

Sir, The argument advanced by N.C. Sebag-Montefiore (Letters, September 27) demonstrates rather effectively that very narrowness which many people believe is a result of the English education system, with its early, "crammer-style" specialisation.

His essentially short-term consideration based on budget arithmetic overlooks the real issues, which are the quality of education, the quality of the graduates and the economic and other benefits to be achieved through improvements in them.

Peter Barker,
45 Rue Lagoisse,
Fontainebleau

Compulsory savings to discourage demand

From Mr S.K. Rao.

Sir, It is clear that the present policy of high interest rates – put in place primarily to keep inflation under control – is proving to be costly in many ways. It hurts home owners; it hurts business; it could be undermining exports through its deleterious effects on investment; and it increases the public sector debt service burden. Most people feel that what they have gained by way of tax relief is lost in the higher interest payments they are obliged to pay. All this is well known, but the Chancellor feels he has no alternative.

There is, perhaps, a way out in the notion of "compulsory savings" which John Maynard Keynes advocated in 1940 in his How to Pay for the War. Clearly, what we are looking for is an instrument which is capable of taking demand out of the system while at the same time preserving incentives in the form of low taxes and interest rates. By instituting "compulsory savings," the Chancellor would ask income earners to give up a portion of their income to be returned to them with interest in the *medium term when the balance* of payments position and the inflation situation allowed him to do so.

The scheme is equivalent to raising public sector debt. But by asking all sections of the population – including the wage earners and the salaried classes – to lend, the Chancellor would make a far greater impact on demand in the economy than if he simply decided to borrow more in the *conventional way. The scheme is not* equivalent to income tax, because individuals would have their contributions refunded.

It would, at the same time, allow the Chancellor to let interest rates drop without fearing a surge in demand, *following the favourable effect* on house and other prices. The sterling exchange rate would not suffer either, if the trade balance were kept in shape from the decline in consumer demand.

S.K. Rao,
7 Maresfield Gardens, NW3

Henley and English Heritage

From Lt Col P. le S. Harris.

Sir, In the Henley conservation area, Waitrose wants to replace its supermarket with a modern store. In a town that is worth conserving, they should be able to do just that, provided the scale is right and the architecture as good in its time as what was built in the past.

But the district council, as adjacent landowner and planning authority, has hijacked the scheme. The result is an application by an extraneous developer, to be paid by an unwanted shopping arcade, increasing traffic and other pressures and offering substandard pastiche architecture.

With all this English Heritage has feebly gone along, suggesting inability to understand total needs and failure to recognise either bad government or greed.

P. le S. Harris,
Briar Cottage,
Middle Assendon,
Henley-on-Thames,
Oxon

All for one and one for all

From Mr David Rollo.

Sir, There are, apparently, international firms of accountants and other professionals which may number up to three, four or five thousand "partners."

This makes me wonder where their partners' meetings are held and what forms of company law and procedure govern their conduct.

Perhaps these meetings are run in the manner of the Labour Party conference, in which a single card speaks for the absent majority.

David Rollo,
25 Beaufort Drive,
Kirkintilloch,
Glasgow

Your offers, please

From Professor P.J. Senior.

Sir, Who is looking for a large hole in the ground; seismologically stable; excellent transport facilities; preferably undersea with shore access; constant temperature and – most important – government blessing? Eurotunnel's Alistair Morton should call Nirex.

P.J. Senior,
Castle Court,
59 Castle Boulevard,
Nottingham

Caring work a criterion in fixing women's pensions

From Dr Anne Showstack Sassoon.

Sir, Your leader ("A sexist policy on pensions," October 2) is right to urge that inequalities deriving from the age of retirement and rules governing contributions should be corrected. Yet there is another aspect of pensions which should not be forgotten. Women do not have the same relation to the labour market as men. Women take on most of the caring responsibilities for children, the ill, the disabled and the elderly. This means that their paid work is less continuous, often part-time and not as well remunerated. Consequently, they are unable to make the same kind of pension contributions *as men, and receive fewer benefits* from employers' contributions.

Studies in the Nordic countries – the most advanced of the welfare states – show that even with highly developed social services, women's caring constitutes an essential element in society. This caring needn't, of course, be done by women. But why should whoever does it be penalised in old age? *At the moment, elderly* women constitute a large proportion of Britain's poor. A thorough reform would associate pension rights with caring work, even if that work is performed outside the formal labour market. In Italy, for example, there is a small pension for housewives.

Pension rules now in force in Britain relate to earlier times when it was assumed that women would depend on pension rights connected to an income earned by a man. The poverty in which many elderly women live shows that even the present system is inadequate. Women today play an important part in the labour market, and it is increasingly recognised that they are needed there. The caring services they provide should also be recognised in a rethink of pensions.

Anne Showstack Sassoon,
School of Social Science,
Kingston Polytechnic,
Kingston-upon-Thames,
Surrey

Eagle Trust strengthens its board

By Philip Coggan

MR DAVID JAMES, the new chairman of Eagle Trust, yesterday strengthened his board with the appointment of three new directors. But he warned that dealings in Eagle's shares, which have been suspended since May, would not resume this year.

He also said that an equity issue might be needed at some phase of the restructuring process.

Mr James took control last month after the previous chairman, Mr Malcolm Stockdale, resigned at the insistence of creditor banks. Eagle has paid a fee of £65,000 a month to Mr Stockdale's US company Iroquois Brands.

The new directors are Mr Peter Churchill, a barrister who will take charge of legal affairs, Mr Brian Smith, a former group managing director of Rank, who will be active in the Samuelson TV and film subsidiary, and Mr Peter Ryan, an ex-England scrum half, and former managing director of Thomas Tilling's industrial units.

As previously announced, three non-executive directors will be resigning, meaning that the entire board has been replaced within two weeks.

Mr James has also asked the Investor Protection Committee to nominate a director and Coopers & Lybrand will provide financial advice until a finance director is appointed.

One of Mr Churchill's main tasks will be to reduce what Mr James calls "the sheer weight of litigation and legal activity" in which Eagle is involved.

In former chairman Mr Malcolm Stockdale's attempts to trace monies that went missing under the chairmanship of Mr John Ferriday, the group was using five firms of solicitors and incurring heavy legal bills.

Mr James' main priority will be to get control of the operational substance of the business. He said that peripheral businesses and investments, like the stake in Owners Abroad, would soon be sold to reduce the burden of debt in the holding company. Total group debts are £88m.

He added that he had received a number of approaches from management buyout teams in the subsidiaries but he said that "not one paper clip is being sold unless I consider it as a right price for a continuing business and not a fire sale". Mr James said that some managers had proposed buyouts in desperation at the group's financial state but had now withdrawn their offers.

The new chairman has written to employees about the events, including a Serious Fraud Office investigation, which led to his appointment. His letter says that "the major losses which occurred were mostly one off incidents and are not attributable to failures in the trading performance of our subsidiaries."

Mr James is keen to discover who the *real* shareholders of Eagle are and is waiting for the results of Section 212 notices sent out by Mr Stockdale. There have been suggestions that a substantial proportion of Eagle's shares are still owned by Mr Ferriday, but Mr James pointed out that the company had a *Mareva injunction* freezing Mr Ferriday's assets.

An annual meeting will be held in November but the 1988 accounts will not be ready by then and an additional extraordinary meeting will be held afterwards to receive the figures.

Ross shares rise on planned restructure

By Clare Pearson

MR ROGER SHUTE, chairman of BM Group, the construction equipment distributor, is to become chairman of Ross Consumer Electronics as part of a big reorganisation of the troubled USM-quoted audio equipment and radio distributor.

The shares leapt 131p to 177p after the announcement which included plans for board changes, a five-for-four rights issue, raising £1.2m, a change in the name of the company to Ross Group, and change in the year-end from March 31st to end-December.

Mr Noel Hayes, who resigned as a sales director of Kleinwort Benson Securities earlier this year, and Mr Ian Oxford are the other members of the new team as group managing director and non-executive director respectively. The three intend to underwrite the rights issue, priced at 28p per share.

Mr Ross Marks, founder and chairman of Ross, is to chair the consumer electronics division of the business.

Mr Hayes said yesterday the first aim would be to place the consumer electronics business on a firmer footing. He believed it had sound prospects despite the worsening retail environment. It was then hoped to take the company into new areas.

Ross is expected to achieve a small profit in the year to end-December after falling into losses of £716,000 (£352,000 profits) on sales of £5.32m (£4.26m) in the last financial year.

As part of the restructuring, Mr Barry Pettitt and Mr Philip Fisher, brought in at the inception of the Ross Consumer International subsidiary in August last year, are to exchange their B shares for 400,000 new ordinary shares. With RCI Ross moved into new products including clock radios and mini-television sets.

The B shares were convertible into ordinary shares on the basis of a formula related to pre-tax profits of the subsidiary in the period to end-March 1992. This entitled Mr Pettitt and Mr Fisher to up to the lower of 15 per cent of the group's enlarged share capital or shares with a market value of £5.5m.

On completion of the underwriting agreement the maximum aggregate potential shareholding of Mr Shute, Mr Hayes and Mr Oxford would be about 50 per cent and the minimum about 39 per cent.

Mr Shute has won City admiration for the rapid growth of BM Group, which emerged in its present form after Beazer, the housebuilding group, injected its plant sales division into it in 1984. Mr Oxford was chairman of Magnet & Southerns – since demerged – until 1985. Mr Hayes said he had met both men during his early City career as a building materials analyst.

A rags to riches story in the gritty world of steel stockholding

Nick Garnett on the Walker brothers disposal

JACK IS already as rich as Croesus. He'll be even richer now."

One of the managers in the tough and gritty world of steel stockholding was commenting on the sale this week of C. Walker to British Steel for a hefty £330m.

It was the largest sale ever of a British family-owned business, according to bankers of the stockholding business that Jack Walker made into the UK's biggest.

The Blackburn-based company run by Jack, now aged 59, from his farm in Jersey and by his brother Fred, 63, who minded the store in Lancashire is as good a rags to riches story as you are going to get.

The company that became British Steel's biggest customer and the dominant force in the supply of steel to UK industry had its roots in a tiny sheetmetal firm which the brothers' father started in Blackburn in 1945.

When dad died in 1951, Jack, who had left school at 14, took up the reins at the age of 21 and decided in the late 1950s to *get out of sheetmetal and into stockholding*. In 1956, the company had sales of £46,000. Last year sales were more than £600m and the profit £48m.

"I don't think there is any secret to what they've done," said one stockholder. "They worked exceptionally hard and thought it all out very well."

Walker, for which the driving force has always been Jack, started to expand from its Lancashire stronghold in the early 1960s. *Sales offices* were opened in a number of cities and a depot set up in Birmingham. A number of stockholding companies were acquired in the 1970s in Britain and Ireland.

The biggest single step though was the purchase of the stockholding interests of GKN for £50m. That doubled the size of C. Walker and gave it at least 20 per cent of the UK stockholding market. The price it paid for GKN Steelstock indicates how well it has done with the sale price to British Steel, particularly as the Walker family *will keep hold of* C. Walker's properties which are spread over 50 locations in the UK and Ireland.

The main reason for their success has been their close relationship with what was the British Steel Corporation. British Steel gave them special rates," says one stockholder.

Another says: "They made some shrewd moves. Jack had no inhibitions and got to big name customers early. He got the taste to be the biggest and he employed good people. He is very straightforward and down to earth."

The closeness to British Steel extended in the early days to buying steel seconds *from* the corporation and upgrading that steel.

The association is believed by the industry to have led British Steel to assist C. Walker in the purchase of GKN Steelstock when British Steel's own stockholding ambitions were thwarted by a Government restriction limiting it to 15 per cent of the market.

The shares in C. Walker were held by a family-based trust in Jersey before the sale. The disposal of the business still leaves Jack Walker with business interests.

In the process of building the company he also developed an airline operating from Jersey to the Continent and which he is keeping. The C. Walker properties are also now wrapped up in a property company which the trust owns.

The Walker brothers are not flamboyant with their money. "Jack even so in the airport in Jersey once," says a colleague. "We were in his Renault."

Reorganisation costs hit Stroud profits midway

By Jane Fuller

Jones Stroud, the textiles and electrical accessories group, warned that its profits for the six month to September 30 would be lower than last year because of the cost of reorganisation.

The company made pre-tax profits of £7.1m on sales of £58.68m in the year to March 31. Its shares fell 28p to 220p after the announcement, and closed at 230p.

Mr Philip Jones, chairman, said the changes included cutting out a textiles subsidiary which had been hit by imports. This would see the company virtually quitting narrow elastic fabrics, which used to be the core business.

In parallel the Nottingham-based company was extending its insulation materials factory, moving both Heathcoat Yarns and its aluminium tubes operation to new premises, and expanding in Australia. "We might have been taking on too much," he said.

He expected profits to be down by between 5 and 7.5 per cent, but added that the lost ground should be made up in the *second half*. The results are due in early January.

Network sales behind STV increase to more than £3m

By Raymond Snoddy

SALES TO the national ITV network of programmes such as Taggart and Take The High Road helped to take Scottish Television's pre-tax profits above £3m for the six months to June 30, an increase of 29 per cent.

The Scottish ITV contractor increased slightly its share of national advertising revenue but programme sales brought in £7m compared with £2.5m in the same period last year.

Mr Don Kinloch, finance director said: "We have made a positive decision to go for network exposure."

Sir Campbell Fraser, chairman, pointed out that before costs of £2.28m to reduce staff by 100 profits rose by 89 per cent.

"Over the past year we have reduced staff numbers by 20 per cent while achieving a *record level of production*," said Sir Campbell who said the company was still looking for increased productivity through new working practices particularly multi-skilling.

The interim results showed turnover of £50.65m, compared with £40.16m in 1988 and pre-tax profits of £3.04m, against £2.35m. A interim dividend of 5p (3.75p) is being paid.

The £4m profit from its share of the sale of Independent Television Publications, publishers of the TV Times, to Reed International was treated as an extraordinary item.

Mr Andrew Hunter, *broadcasting analyst at stockbrokers* Hoare Govett said yesterday they were good results, because of the increase in advertising share and rise in network sales.

Hoare Govett was looking for £10.8m for the full year despite a downturn in television advertising revenue being expected.

The shares rose 1p to close at 491p.

AMP to borrow up to £790m to finance hostile bid for Pearl

By Andrew Bolger

AUSTRALIAN Mutual Provident, Australia's largest life insurance company, yesterday said it would be borrowing up to £790m to finance its hostile £1.1bn bid for Pearl Group, the UK life insurer. AMP's offer document said its cash offer of 605p a share was generous in the light of Pearl's sharp fall in market position, loss of market share and limited prospects if left to itself. Pearl shares closed at 648p, up 6p.

AMP said that *following the* announcement in June of its 18 per cent stake in Pearl, there was considerable speculation that an offer would be made for Pearl.

The document states: "We believe that this speculation significantly inflated Pearl's share price and that the offer should be judged against the price of 394p at which Pearl's shares were trading prior to that announcement." To finance the purchase, AMP has agreed a £525m term loan from Lloyds Bank and Chase Manhattan. Each bank is providing an additional £132.5m revolving credit facility.

Mr Einion Holland, Pearl's chairman, said the document's claims about his company's record and performance were wrong and served only to demonstrate how little AMP understood about the UK life assurance market.

WH Smith sells Canadian chain

By Maggie Urry

WH SMITH, the retail and distribution group, has sold its 86.5 per cent stake in its Canadian chain of book and card shops at a price valuing the whole business at C$54.0m (£28.3m). The chain had about an 11 per cent share of the market. The buyer is Federal Industries Consumer Group, a Canadian-based company.

Mr Malcolm Field, managing director, said the decision to sell the business after 40 years in Canada had not been easy. But the group's strategy for North America was "to develop retailing business where there are good opportunities for future profitable growth".

Smith's Canadian chain made profits before tax of C$6.5m (£3.2m) in the year to June 3 this year, and net tangible assets were C$24.0m (£12.5m). Smith recently sold its New York publishing business and 24 shops in Hawaii.

The cash released would go towards paying for some of the acquisitions Smith had made recently, Mr Field said.

Other UK retailers have found Canada a difficult market. Boots sold its Canadian retailing business last year, while Marks and Spencer has been closing stores in its loss-making chain.

Volatile market for Hays float

By Clare Pearson

TROUBLED AND volatile stock market trading in the wake of Thursday's hike in UK base rates to 15 per cent provides a nerve-wracking environment for the pricing of shares in Hays, the business services group, which is due to take place early next week.

The flotation, expected to value the company at between £400m and £450m, is one of the biggest in the UK in recent years. Hays' advisers are likely to be particularly keen to take all precautions against it turning into a spectacular flop.

By the close yesterday the FT-SE 100 Share Index had recovered from earlier losses to close 4.1 points down at 2,277.5. But Schroders, Hays' financial advisers, and stockbrokers SG Warburg Securities will be monitoring developments closely ahead of the pricing meeting on Monday night.

The value given to shares being sold in the £170-£180m offer seems bound to be the subject of tough negotiations with Mr Ronnie Frost, Hays' determined-sounding chairman.

Schroders said yesterday: "We're not too worried yet. This isn't Armageddon." However, *it is thought likely* to argue that the shares should be floated on a historic p/e near the bottom of the indicated range of 13 to 15.

Mr Frost said yesterday: "I don't believe the market is a problem. My attitude to life hasn't changed over the last couple of days."

He said that financially Hays gains some benefit from higher base rates due to an 11 per cent cap placed on £120m worth of its borrowings in 1987. This means the overall effect of a one percentage point rise in base rates is a gain of about £1m, he said.

Mr Frost added that many of Hays' activities were relatively recession-resistant. Its businesses include recruitment *agencies for accountants,* contract distribution for food retailers, and archive storage and business mail services.

The issue price is expected to be announced on Wednesday morning. Dealings in the shares are due to start on October 26.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Arcolectric ....int	0.48	-	0.44	-	0.96
Hi-Tec Sports ....int	1.5	Dec 1	1.5	-	4.5
Scottish TV ....int	5	-	3.75	-	19
TR City of Ldn ....int	1.03 ‡	Nov 30	0.77	-	3.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡First interim.

Arcolectric shares fall as profits down to £0.13m

SHARES OF Arcolectric (Holdings) fell 18p yesterday to 115p on news of a profits downturn of £191,940 to £128,158 pretax for the first six months of 1989. Turnover was marginally ahead at £5.2m.

The directors said that sales had not increased as strongly as planned, partly because demand was not currently as buoyant as at the beginning of the year and partly because the company was unable to achieve the production capacity needed dne to delays in delivery of machinery and tooling.

Earnings per share declined to 1.92p (4.79p) but the interim dividend is being stepped up from 0.44p to 0.48p.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
120	F.P.	3/11	135	123	Birse Group 10p	129	-3	L4.25	2.3	4.4	9.9
§100	F.P.	-	126	108	♦Bozzmore Intl. 10p	123		u5.2	1.9	5.6	11.9
§74	F.P.	-	82	74	♦Brandon Hire 10p	78		u3.33	1.6	5.7	11.6
§110	F.P	-	119	110	♦Cooper Clarke Group 10p	113		w4.5	1.9	5.3	9.1
‡‡	F.P.	-	81	70	*DSC Hldgs.	73xr		-	-	-	-
85	F.P.	-	96	84	♦Diamond Group Hldgs 5p	85		L1.13	4.7	1.8	16.1
■100	F.P.	-	540	528	Drayton Asia Tst Units	531		-	-	-	-
-	F.P.	-	865	750	♦Elan Corporation Ir4p	750		-	-	-	73.1
50	F.P.	-	53	48	♦Essex Furniture 5p	48	-2	aL88	2.3	5.2	10.8
Ir96	F.P.	-	95	91	♦FBD Hldgs. Ir50p	93	+2	u03.2%	5.2	1.5	13.4
100	F.P.	-	102	100	Greyfriars Inv	101	-1	-	-	-	-
-	F.P.	-	105	94	Leveraged Opportunity Tst.	101		-	-	-	-
-	F.P.	-	61	53	Do. Warrants	59		-	-	-	-
†	F.P.	-	671	651	Mitsubishi Corp. Y50	651	-11	Q14%	4.3	0.5	49.6
♦	F.P	-	168	156	PFG Hodgson Kenyon 10p	156	-5	-	-	-	-
§50	F.P.	-	52	46	Pacific Horizon Inv Tst.10p	46	-2	-	-	-	-
-	F.P.	-	27	23	Do. Warrants	24	-1	-	-	-	-
-	F.P	-	25	17	Pacific Prop. I.T. Wrrnts	24		-	-	-	-
§130	F.P.	-	143	135	Partridge Fine Arts 10p	136	-1	R3.5	2.5	3.4	12.5
†	F.P.	-	475	340	Presidio Oil "A" 10c	460		Q2.5c	-	0.3	-
100	F.P.	-	103	101	River & Merc Extra Inc 1p	101	-½	N7.5	-	9.8	-
-	F.P.	-	25	22	Do. Warrants	23	+1	-	-	-	-
†	F.P	-	792	762	Saitama Bank Y50	762	-10	Q13%	4.7	0.4	56.8
§109	F.P.	-	121	115	♦Westminster Scaffold.10p	120		R5.0	1.6	5.6	13.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
♦	F.P.	-	104p	101p	Bowater Inds. 7.75pc Cv. Pf.	104p	+1
105p	F.P.	-	108½p	101p	British Aerospace 7.75p (Net) Cv. Pf.	101½	+½
§100p	Nil	20/10	3pm	1½pm	British Airways Cap. 9¾pc Cv Cap.	2pm	-¼
100p	F.P.	14/9	102p	92p	♦Corton Beach 7.5p(Net) Cv. Pf.	93p	+1
♦	F.P.	-	50p	45½p	Fleming Tech Zero Div. Pf	45½p	
♦	F.P.	-	51p	50p	Gartmore Am. Secs. Zero Div Pf 5p	50½p	+½
100p	F.P.	28/7	104p	96p	Hartwell 7¾p (Net) Cv.Pf. £1	98p	+1
100p	F.P.	-	106p	101p	♦Kunick 8.25p Cnv.Rd.Pf	102p	-1
§100	F.P.	-	103	99½	Leveraged Opportunity Tst Cv Uns Ln	99½	-3
100p	F.P.	-	107p	93p	London Secs. 8¼pc Cv. Rd. Pf.	94p	+1
§100p	F.P.	20/10	102p	93p	Lookers 8pc Cnv.Rd.Pf	93p	
-	F.P.	-	100	98⅜	Nationwide Anglia 13½pc Bds. 3/9/90	98⅜	-⅛
§99.1	F.P.	-	107	99¼	Do. 4.25pc Index-Linked 2024	105½	
100p	F.P.	-	103p	98p	Owen & Robinson 8½pc (Net) Cv. Pf.	100p	
♦	F.P	-	88p	85p	PFG Hodgson Kenyon 6¾pc Pf. '91-2001	85p	
§100p	Nil	15/11	3pm	¼pm	Ransomes 8.25p (Net) Cv. Pf. 12½p	¼pm	
§100	F.P.	21/8	105½	100½	Renaissance Hldgs 8.5pc Cv Ln 1994	100½	-1
121	F.P.	-	121	114	Scot Am Inv Eq Index Uns Ln 2004	114	-1
§420p	P.P.	10/7	138p	107p	*Tiphook Units*	*120p*	-3
§100p	F.P.	25/7	121p	100¼p	WPP 8.25p Cv.Rd.Pf. 10p	112p	-1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
66	Nil	6/11	9pm	4pm	♦Acsis Group 10p	6pm	
245	Nil	1/12	25pm	3pm	Canning (W)	4pm	
160	Nil	10/11	13pm	5pm	Colefax & Fowler 10p	5pm	-1
75	Nil	-	¼pm	¼pm	DSC Hldgs	¼pm	
125	Nil	23/10	16pm	7pm	Evered	9½pm	-2½
245	Nil	17/11	95pm	71pm	Polly Peck Intl. 10p	76pm	-4
Ir33	Nil	7/11	39pm	21pm	♦Tuskar Resources Ir5p	35½pm	
330	Nil	18/10	41pm	12pm	Wace Group 20p	12pm	-5

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on Prospectus or other offical estimates for 1989. K Dividend and yield based on prospectus or other offical estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. §Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ♦ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Sep 25
- Last Dealings Oct 6
- Last Declarations Dec 21
- For settlement Jan 85

For rate indications see end of London Share Service

Calls in Sc & Newc, Lonrho, Eurotunnel Wrnts, Norfolk Cap, Amstrad, Coloroll, Amber Day, Saatchi & Saatchi. Put Scot & Newc

Jitra Rubber falls into red

A pre-tax loss of £8,636, compared with profits of £21,557, was suffered by Jitra Rubber Plantations, investment holding company, in the half year to June 30, and loss per share was 0.06p against earnings of 0.14p. However, with a contribntion from its related company, profits of £43,623 (£95,287) were made. Income from fixed asset investments fell to £10,074 (£42,319).

Jitra's related company, Singapore Para Rubber Estates, operates in Malaysia. Its contribution left group net profits of £23,576 (£54,201) for earnings of 0.21p (0.49p).

AAF begins expansion strategy

By Andrew Hill

AAF Investment Corporation has set its expansion strategy in motion with the £5.6m cash acquisition of Premier Construction Company, which makes modular buildings.

The purchase from Brown & Jackson is AAF's first since summer 1988, when it sold its South African assets and became the international investment arm of FSI Group, a South African industrial conglomerate, which controls about 58 per cent of AAF.

Mr Peter Greenhalgh, AAF's chief executive, said AAF, which already has a consultancy arm, would be looking at acquisition opportunities in business areas similar to FSI's. The South African conglomerate controls about 17 quoted companies worldwide in construction-related activities and the manufacture of industrial fasteners, electricals and tools.

In March, when it announced pre-tax profits of £7.85m for 1988, AAF had more than £37m cash on deposit following its disposals. This has now increased to about £28.5m.

"With rising interest rates there is going to be a hell of a shake-out in the next few months and anyone sitting there with a cheque book will be able to take advantage of that," said Mr Greenhalgh.

Brown has guaranteed that Premier's pre-tax profits in the year to December 25 will be at least £950,000 (£620,000) last year, on sales of £6.42m. The net assets of the Blackburn-based group at the end of 1988 were £924,000, and Brown has warranted that Premier's net assets on Christmas Day this year will be worth at least £1m.

CHI sells 5% stake in Scott & Robertson

By Clay Harris

CH INDUSTRIALS, the chemicals and engineering group, has sold its 5.1 per cent stake in Scott & Robertson, Europe's largest manufacturer of polythen film, for a £886,000 profit.

The shares were bought by PCL Industries, the Canadian plastic packaging, furniture and distribntion company which is an associate of Irish-based Jefferson Smurfit Group.

PCL wanted the shares to get its stake back above 20 per cent level.

The holding was diluted by Scott & Robinson's merger with fellow plastics group Alida Holdings earlier this year.

CH was issued the shares last October as part of its sale to Scott & Robinson of Calnay, an extruder of agricultural, horticultural and building film.

Hi-Tec Sports profits slip 25% to £3.12m at midway

By Jane Fuller

HI-TEC SPORTS, the sports shoe designer, has run on to some rough ground with profits down to £3.12m for the six months to July 31, compared with £4.13m last time. It shares slipped by 7p to 105p.

The near 25 per cent fall in pre-tax profit came on turnover up by almost 12 per cent to £36.84m (£32.93m).

Earnings per share fell to 5.47p (7.68p) and the interim dividend stays the same at 1.5p.

Hi-Tec's margins have been eroded roughly equally by increasing production costs in the Far East and fiercely competitive pricing for sports shoes in a faltering UK retail market.

It also lost ont twice on exchange rates, with the pound buying fewer dollars, which in turn went less far against the strengthening local currencies of producer countries, such as Taiwan and South Korea.

Mr Frank van Wezel, chairman, said the company had transferred *some production* to China, only to be hit by economic enervation following the Tienanmen Square massacre. Alternative production sources were being sought in the Philippines, Thailand and Italy.

When it came to sales, the company had clung on to its UK base against competition from the likes of Nike, Reebok, Adidas and Puma. Hi-Tec's 25 per cent share led the £400m sports shoe retail market, he added.

Mr Mario Aresti, finance director, said Hi-Tec was trying to improve margins by moving into premium products for sports *enthusiasts*, who were always looking for technical improvement. Its top-of-the-range shoe now cost £50 and incorporated the ABC (air ball concept) – a round, springy heel section – as did other of the products for running, squash, tennis and basketball.

To reduce dependence on the difficult UK market, Hi-Tec was building up business elsewhere, said Mr van Wezel. "When we came to the market [in June 1988] about 85 per cent of our business was in the UK. Now it is 65 per cent and by early 1991 it should be below 50 per cent."

A small but fertile overseas success had come in the US "rugged outdoor" market. The company was "benefiting from the green revolntion," as Americans "went back to nature" in their four-wheel-drive vehicles and lightweight hiking boots.

Of the 35 per cent of sales outside the UK, half were in America, and half from Europe and the rest.

Both geographic and product diversification has come from the recent acquisition of Cofex, a Dutch leisure clothing distributor which includes the Bad Boys label. According to Mr Aresti, Hi-Tec, which has gearing heading for 40 per cent by *the* end of the year, was looking for further acquisitions.

Panel demands MTS sends new circular to shareholders

By Nikki Tait

THE TAKEOVER PANEL, Britain's watchdog on bids and deals, yesterday delivered a sharp rap to Lloyds Merchant Bank, advisers to Meat Trade Suppliers – a small sausage casing manufacturer which is facing two competing sets of proposals – over a circular *sent to shareholders* earlier this week.

The Panel is now requiring that a corrective circular be sent out by the company. In addition, the extraordinary general meeting of the company, which the board had called for October 10, will be adjourned at the Panel executive's request – e highly unusual, possibly unprecedented, move by the bid watchdog.

Just to compound MTS's misery, the company was also obliged to retract a statement made by one of its directors, Mr Campbell Allan, in a press *release*, also issued earlier in the week. Mr Allan had said that the competing bid from Twigrealm, a newly-formed company backed by Mr Freddy Hirsh and Mr Stephen Wingate, leaves shareholders "completely in the dark as to the amount of cash they will receive."

MTS yesterday conceded that Twigrealm's offer is 350p a share in cash and that, "should all conditions of the offer be satisfied, there is no doubt as to the amount of cash shareholders who accept the Twigrealm offer will receive."

The Panel's objections to the circular *centred* on a similar point. The document contained a comparison of the effects of the Twigrealm offer with the alternative Alpha Gamma proposals, which are being recommended by the board.

The circular said that the Alpha scheme offered shareholders a cash exit for e larger percentage of their holdings than the Twigrealm bid, and that – *in certain* circumstances – the average value of MTS shares under Twigrealm's offer could be just 314p apiece.

"These statements are not correct," noted the Panel. Subject to the offer becoming unconditional, it pointed out, shareholders are entitled to receive the 350p cash price in respect of their entire holding.

The Panel added that responsibility for the circular "must lie to a considerable extent with Lloyds Merchant Bank."

A statement from MTS said only that "although the board of MTS does not accept the detail of every criticism, it would be writing to shareholders with further information as soon as possible."

The egm will be adjourned until October 17.

Last night, no one was available to comment further at LMB. However, the Twigrealm camp was quick to criticise the MTS board for "flagrantly misleading shareholders", and to suggest that it will be issuing its own detailed riposte to the MTS circular.

MARKET STATISTICS

ECONOMIC DIARY

TODAY: East Germany marks 40th anniversary of its founding. General elections in Botswana.

TOMORROW: Latvian Popular Front congress in Riga (until October 9).

MONDAY: Central Statistical Office announces provisional price index numbers for September. European Community economic and finance council meets in Luxembourg. European Parliament in session in Strasbourg (until October 13). Conservative Party annual conference opens in Blackpool (until October 13). Financial Times holds conference "Europe and the Nordic countries" in Stockholm (until October 10). 15th conference grouping the signatories of the Antartica Treaty in Paris (until October 19). Mr Francois Mitterand, President of France, begins two-day visit to Caracas. Eurotunnel publishes interim figures. House of Lords returns from Summer recess.

TUESDAY: European Community internal market council meets in Luxembourg. Presidents of world's three largest cocaine producing countries (Columbia, Bolivia and Peru) hold anti-drug summit in Peru. Mr Francesco Cossiga, President of Italy, on visit to Washington (until October 17). Spanish general election campaign opens. Water Share Information Office gives further details on incentives. Arts Council annual report. Ferranti annual meeting. BUPA symposium on smoking at work in Birmingham.

WEDNESDAY: Summit of LATAM group of eight presidents in Ica, Peru (until October 12). National Association of Probation Officers annual conference in Bridlington (until October 15). Nobel prize for economics announced. President Mitterand starts two-day visit to Ecuador. Financial Times holds conference "Mobil Communications" in London (until October 12). CBI conference on "Latin America — A review of some recent changes affecting UK companies" at Centre Point, London. Austin Reed Group publishes interim statement.

THURSDAY: Bank of England quarterly analysis of bank advances during August. Second session of all party conference to restore peace in Columbo. Space shuttle to lift Galileo probe into orbit for voyage to Jupiter.

FRIDAY: Central Statistical Office issues retail prices index and tax and price index for September. BSC/BISPA give figures for usable steel production during September. US retail sales figures (September) and producer price index.

BANK RETURN

BANKING DEPARTMENT	Wednesday October 4, 1989		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	74,525,593	+	4,788,862
Bankers Deposits	1,538,588,822	+	55,596,019
Reserve and other Accounts	2,364,117,709	+	121,387,775
	3,989,785,124	+	181,772,458
ASSETS			
Government Securities	1,960,822,784	+	468,691,124
Advance and other Accounts	903,515,441	+	38,841,079
Premises Equipment & other Secs	1,113,955,921	-	327,676,712
Notes	11,281,962	+	1,915,981
Coin	209,016	+	984
	3,989,785,124	+	181,772,458

ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,048,718,038	+	28,084,019
Notes in Banking Department	11,281,962	+	1,915,981
	15,060,000,000	+	30,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	14,851,821,929	+	561,187,600
Other Securities	197,162,971	-	531,187,600
	15,060,000,000	+	30,000,000

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 89 Vol	Last	Feb. 90 Vol	Last	May 90 Vol	Last	Stock
Gold C	$380	20	3.40	50	8.50	–	–	$363.30
Gold C	$400	250	0.50	–	–	–	–	$363.30

Series		Nov. 89 Vol	Last	Dec. 89 Vol	Last	Jan. 90 Vol	Last	Stock
EOE Index C	Fl.315	64	8	[illegible]	[illegible]	[illegible]	[illegible]	Fl.317.12
EOE Index C	Fl.320	32	5.30	[illegible]	[illegible]	[illegible]	[illegible]	Fl.317.12
EOE Index C	Fl.325	101	3.10	[illegible]	[illegible]	[illegible]	[illegible]	Fl.317.12
EOE Index P	Fl.310	107	2.30	10	3.50	76	4.70	Fl.317.12
EOE Index P	Fl.315	123	4.30	22	2.50 a	22	6.20 a	Fl.317.12
EOE Index P	Fl.320	41	6.30	–	–	[illegible]	[illegible]	Fl.317.12

Series		Oct. 89 Vol	Last	Nov. 89 Vol	Last	Dec. 89 Vol	Last	Stock
S/FI C	Fl.210	30	4.50	36	5.80	38	6.40	Fl.214.05
S/FI C	Fl.215	275	1.30	127	3.20	19	4.10	Fl.214.05
S/FI C	Fl.220	188	0.65 a	16	1.70	10	2.50	Fl.214.05
S/FI P	Fl.205	–	–	100	0.60	36	1.50	Fl.214.05
S/FI P	Fl.210	39	1.20 a	78	2.40	28	3.30	Fl.214.05
S/FI P	Fl.215	24	3.20 a	28	4.70	35	5.60	Fl.214.05
S/FI P	Fl.220	61	7 a	3	8	13	8 b	Fl.214.05

Series		Oct. 89 Vol	Last	Jan. 90 Vol	Last	Apr. 90 Vol	Last	Stock
ABN C	Fl.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Fl.43.20
ABN P	Fl.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Fl.43.20
Aegon C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ahold C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ahold P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amev C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amev P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BUHRMANN-T C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BUHRMANN-T P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DAF N.V. C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DAF N.V. P	Fl.55	75	2.50	32	3.20	–	–	Fl.52.90
N.V. DSM C	Fl.140	4	0.10	204	1.40	215	4.20	Fl.125
N.V. DSM P	Fl.125	442	1.20	184	3.60	101	4.60	Fl.125
Elsevier C	Fl.85	10	0.20	96	2.50	2	5	Fl.80.10
Gist-Broc. C	Fl.40	880	0.60	1515	2.40	423	3.20	Fl.37.90
Gist-Broc. P	Fl.35	236	0.20	112	1.10	14	1.80	Fl.37.90
Heineken C	Fl.120	2	17.20	50	20	–	–	Fl.136.80
Heineken P	Fl.120	–	–	50	1.10	–	–	Fl.136.80
Hoogovens C	Fl.100	654	1.40	226	6.90	44	10.80	Fl.96.80
Hoogovens P	Fl.95	126	1.30	46	5	302	6	Fl.96.80
KLM C	Fl.60	4	0.10	361	1.10	10	2.10	Fl.52.30
KLM P	Fl.55	240	2.80	102	3.60	102	4.20	Fl.52.30
KNP C	Fl.50	159	4.30	15	6.30	–	–	Fl.54.20
KNP P	Fl.55	96	1.40	43	3	–	–	Fl.54.20
NEDLLOYD C	Fl.100	226	1	466	5.90 b	3	8.50	Fl.97.10
NEDLLOYD P	Fl.100	110	3.50 a	–	–	–	–	Fl.97.10
NMB C	Fl.280	–	–	39	5.60	–	–	Fl.258.50
NMB P	Fl.270	86	12 a	125	14.50 b	–	–	Fl.258.50
Nat.Ned. C	Fl.70	218	2.30	188	5	–	–	Fl.71.60
Nat.Ned. P	Fl.70	54	0.50	13	1.40	–	–	Fl.71.60
Philips C	Fl.50	622	0.70	1410	2.80	286	4	Fl.49.30
Philips P	Fl.50	82	1.10	738	3.10	242	4.30	Fl.49.30
Royal Dutch C	Fl.150	233	1.20	222	5.80	9	8.90	Fl.147.30
Royal Dutch P	Fl.150	121	3.50	17	5.70	4	7	Fl.147.30
Unilever C	Fl.160	404	1.50	608	6	48	9	Fl.158.70
Unilever P	Fl.160	338	2.50	58	5.50	–	–	Fl.158.70
Van Ommeren C	Fl.35	148	1.10	55	3.40	–	–	Fl.35.60
Van Ommeren P	Fl.35	5	0.40	–	–	113	2.50	Fl.35.60
Wessanen C	Fl.85	–	–	720	4.70	–	–	Fl.83.30

TOTAL VOLUME IN CONTRACTS : 47,115

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

Bank	%
ABN Bank	15
Adam & Company	14
Allied Trust Bank	14
Allied Irish Bank	15
● Henry Ansbacher	15
Associates Cap Corp	14
Authority Bank	15
● B & C Merchant Bank	15
Bank of Baroda	14
Banco Bilbao Vizcaya	15
Bank Hapoalim	15
Bank Credit & Comm	14
Bank of Cyprus	15
Bank of Ireland	15
Bank of India	15
Bank of Scotland	15
Banque Belge Ltd	14
Barclays Bank	15
Benchmark Bank PLC	15
Brit Bk of Mid East	15
● Brown Shipley	15
Business Mtge Bank	14½
CL Bank Nederland	14
● Charterhouse Bank	14
Citibank NA	15
City Merchants Bank	15
Clydesdale Bank	15
Comm. Bk. N. East	15
Co-operative Bank	*14
Coutts & Co	15
Cyprus Popular Bk	15
Dunbar Bank PLC	15
Duncan Lawrie	15
Equatorial Bank plc	15
Exeter Trust Ltd	15½
Financial & Gen. Bank	14
First National Bank Plc	16
● Robert Fleming & Co.	15
Robert Fraser & Ptnrs.	15½
Girobank	15
● Guinness Mahon	15
HFC Bank plc	15
● Hambros Bank	15
Hampshire Trust Plc	14½
Heritable & Gen Inv Bnk	14
● Hill Samuel	§15
C. Hoare & Co	15
Hongkong & Shangh	15
● Leopold Joseph & Sons	15
Lloyds Bank	15
Meghraj Bank Ltd	15
McDonnell Douglas Bnk	14
Midland Bank	15
Mount Banking	15
Nat Bk. of Kuwait	15
NatWestminster	15
Northern Bank Ltd	14
Norwich Gen. Trust	15
PRIVATbanken Limited	15
Provincial Bank PLC	16
R. Raphael & Sons	15
Roxburghe G'rantee	15½
Royal Bk of Scotland	15
Royal Trust Bank	15
● Smith & Williamson Secs.	15
Standard Chartered	15
TSB	14
United Bk of Kuwait	15
United Mizrahi Bank	15
Unity Trust Bank Plc	14
Western Trust	15
Westpac Bank Corp.	15
Whiteaway Laidlaw	15
Yorkshire Bank	15

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FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Oct 6 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu Oct 5 Index No.	Wed Oct 4 Index No.	Tue Oct 3 Index No.	Year ago (approx) Index No.	1989 High		1989 Low		Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (208)	940.80	-0.2	11.72	4.46	10.45	26.63	942.48	961.01	966.37	809.42	1012.97	18/8	775.54	3/1	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (29)	1098.35	-1.7	13.96	5.02	8.95	34.89	1117.39	1157.22	1168.70	1021.25	1287.14	19/5	939.06	3/1	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (37)	1512.07	-1.1	16.06	5.05	8.13	48.87	1528.56	1574.96	1575.44	1605.43	1801.66	14/3	1468.31	3/1	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	2707.14	-1.2	9.81	4.47	12.83	68.01	2740.49	2801.36	2815.96	2252.14	3040.80	8/9	2294.30	3/1	3040.80 8/9/89	84.71 25/6/62
5	Electronics (30)	2072.06	+0.1	9.36	3.54	13.79	49.17	2069.53	2111.44	2133.31	1724.05	2308.22	19/5	1776.44	3/1	2308.22 19/5/89	1229.01 8/10/85
6	Mechanical Engineering (54)	506.69	-0.2	11.83	4.44	11.03	14.16	507.72	516.22	519.49	422.29	558.05	20/7	406.34	3/1	558.05 20/7/89	45.43 5/1/75
8	Metals and Metal Forming (6)	483.45	-1.2	21.26	6.19	5.19	15.15	489.45	496.82	500.76	409.66	562.47	19/5	452.42	3/1	596.67 9/10/87	49.65 6/1/75
9	Motors (19)	377.74	+0.5	9.73	4.20	12.04	9.97	375.90	376.21	375.06	284.38	378.66	22/9	258.24	3/1	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (23)	1773.82	+1.7	9.32	4.23	12.66	51.87	1743.83	1762.78	1765.05	1379.03	1881.53	18/8	1311.43	3/1	1881.53 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (184)	1299.29	-0.5	8.45	3.39	14.86	25.94	1306.18	1326.05	1328.25	1077.61	1417.92	4/9	1016.74	3/1	1417.92 4/9/89	61.41 13/12/74
22	Brewers and Distillers (23)	1474.05	+0.4	8.87	3.33	14.11	25.76	1467.76	1480.95	1483.55	1116.67	1583.71	5/9	1112.42	3/1	1583.71 5/9/89	69.47 13/12/74
25	Food Manufacturing (20)	1154.42	-0.1	8.86	3.70	14.24	23.41	1155.54	1171.88	1170.32	968.22	1220.42	4/9	926.84	3/1	1220.42 4/9/89	59.67 11/12/74
26	Food Retailing (14)	2428.17	-0.7	8.39	2.89	15.77	43.00	2446.12	2492.53	2516.50	1877.29	2722.30	5/9	1784.64	3/1	2722.30 5/9/89	54.25 11/12/74
27	Health and Household (14)	2497.13	-0.2	6.19	1.90	19.83	37.88	2501.21	2534.21	2529.71	1941.25	2772.31	4/9	1778.20	3/1	2772.31 4/9/89	175.38 28/5/80
29	Leisure (34)	1692.51	-0.9	7.78	3.41	15.85	35.69	1707.73	1731.30	1744.84	1378.37	1845.77	8/9	1346.22	3/1	1845.77 8/9/89	54.83 9/1/75
31	Packaging & Paper (15)	571.68	-1.2	10.41	4.55	11.98	16.17	578.62	591.51	591.63	545.38	623.86	4/9	523.08	3/1	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (18)	3611.84	-1.4	8.82	4.72	14.57	105.37	3662.16	3722.09	3714.79	3355.21	3916.24	8/2	3236.76	4/1	5070.66 5/10/87	55.08 6/1/75
34	Stores (32)	807.03	-1.5	10.63	4.58	12.27	18.56	819.62	838.99	839.67	771.23	921.71	4/9	679.97	3/1	1160.58 29/7/87	52.63 6/1/75
35	Textiles (14)	549.94	-1.7	10.32	5.35	11.70	15.67	559.25	568.82	570.12	509.88	586.98	21/9	464.58	8/8	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (93)	1166.66	-0.1	10.06	4.35	12.05	26.50	1168.39	1183.65	1186.16	912.36	1225.60	5/9	896.15	3/1	1225.60 3/9/89	58.63 6/1/75
41	Agencies (17)	1586.19	+1.7	6.65	2.27	18.55	24.40	1559.99	1569.39	1557.53	1074.74	1630.70	5/9	1030.84	3/1	1795.57 17/7/87	878.35 4/12/87
42	Chemicals (22)	1240.70	-1.0	12.07	5.04	9.76	42.50	1253.54	1275.51	1286.16	1061.86	1370.94	11/8	1026.37	3/1	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (13)	1634.83	-0.8	10.46	5.00	11.25	29.89	1646.85	1661.01	1669.64	1262.99	1819.46	11/8	1254.94	3/1	1819.46 11/8/89	975.19 10/11/87
45	Transport (13)	2270.35	-0.5	9.83	4.12	13.01	55.79	2281.83	2307.78	2333.62	1946.19	2554.69	12/7	1836.25	4/1	2554.69 12/7/89	90.80 29/6/62
47	Telephone Networks (2)	1126.91	-0.7	10.76	4.38	12.12	22.38	1134.69	1152.61	1158.93	988.62	1195.04	25/9	1002.43	3/1	1274.14 9/6/87	517.92 30/11/84
48	Miscellaneous (26)	1976.75	+1.2	8.82	4.16	12.80	44.44	1953.45	1988.17	1959.44	1227.73	2087.86	11/7	1183.56	3/1	2087.86 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (485)	1185.47	-0.3	9.75	3.94	12.64	27.19	1189.38	1208.18	1211.49	976.77	1273.71	5/9	935.74	5/1	1273.71 5/9/89	59.01 13/12/74
51	Oil & Gas (15)	2177.16	-0.1	9.95	5.21	13.28	86.84	2179.20	2201.75	2202.21	1748.64	2306.36	13/9	1725.48	0/8	2458.68 16/7/87	87.23 29/5/62
59	500 SHARE INDEX (900)	1269.37	-0.3	9.78	4.11	12.72	32.04	1273.16	1292.28	1295.46	1042.51	1355.68	5/9	1002.81	3/1	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (121)	789.10	-0.4	–	5.20	–	27.17	792.22	800.90	805.59	695.58	824.58	8/9	670.86	3/1	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	792.79	-0.3	21.79	6.38	5.03	35.17	795.18	802.90	803.57	677.78	844.87	25/8	657.74	3/1	898.28 13/10/87	62.44 13/12/74
65	Insurance (Life) (8)	1234.67	-0.7	–	5.13	–	46.88	1242.94	1256.86	1263.23	1016.83	1263.23	3/10	933.96	5/1	1285.72 9/10/87	44.88 2/1/75
66	Insurance (Composite) (7)	651.63	+0.1	–	5.80	–	24.09	650.75	659.55	657.21	526.31	682.20	14/9	528.72	3/1	781.58 13/10/87	43.96 13/12/74
67	Insurance (Brokers) (7)	1159.88	-0.4	7.31	4.18	18.20	44.56	1160.92	1169.38	1161.11	968.20	1207.22	8/9	916.66	3/1	1399.56 27/7/87	65.86 16/12/74
68	Merchant Banks (10)	437.82	-0.2	–	3.92	–	9.70	437.88	438.11	438.62	337.90	417.88	5/10	318.05	5/1	547.59 12/10/87	31.21 7/1/75
69	Property (49)	1278.72	-0.7	6.93	3.37	18.38	20.77	1287.98	1312.81	1323.29	1208.99	1398.87	5/9	1198.15	3/1	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (31)	351.74	-0.1	11.39	6.28	11.57	13.23	352.17	356.82	356.71	364.69	392.49	8/2	342.99	3/1	483.48 16/7/87	33.29 17/12/74
71	Investment Trusts (68)	1241.50	-0.7	–	2.75	–	19.94	1249.77	1258.45	1258.06	926.38	1288.84	8/9	922.04	3/1	1288.84 8/9/89	71.12 13/12/74
81	Mining Finance (1)	691.68	-0.4	10.82	3.90	10.59	22.25	694.16	701.86	703.15	588.51	754.47	8/9	561.50	3/1	754.47 8/9/89	66.31 30/9/74
91	Overseas Traders (8)	1394.99	-0.4	9.91	5.72	11.58	43.67	1400.10	1388.36	1403.28	1316.08	1543.93	8/9	1273.76	5/1	1543.93 8/9/89	97.37 6/1/75
99	ALL-SHARE INDEX (698)	1153.22	-0.3	–	4.26	–	30.52	1156.99	1172.99	1175.94	956.27	1225.80	5/9	921.22	3/1	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 5	Oct 4	Oct 3	Oct 2	Sep 29	Year ago	1989 High		1989 Low		Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2277.5	-4.1	2278.8	2249.3	2281.6	2312.1	2318.6	2289.2	2299.4	1844.7	2426.0	3/9	1782.8	3/1	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Oct 6	Day's change %	Thu Oct 5	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.14	+0.17	115.94	–	9.66
2	5-15 years	131.45	+0.73	130.49	–	9.84
3	Over 15 years	141.34	+1.83	139.89	–	11.64
4	Irredeemables	162.99	+0.75	161.78	–	8.83
5	All stocks	129.01	+0.59	128.26	–	10.11
	Index-Linked					
6	Up to 5 years	138.21	+0.04	138.16	–	2.26
7	Over 5 years	136.79	+0.27	136.43	–	2.89
8	All stocks	136.78	+0.25	136.44	–	2.82
9	Debentures & Loans	110.77	+0.58	110.12	–	8.26
10	Preference	88.33	-0.06	88.38	–	4.71

	AVERAGE GROSS REDEMPTION YIELDS		Fri Oct 6	Thu Oct 5	Year ago (approx.)	1989 High		1989 Low	
	British Government								
1	Low Coupons	5 years	10.29	10.34	9.64	10.39	30/12	8.88	9/2
2		15 years	9.59	9.64	9.26	9.76	14/6	8.77	9/2
3		25 years	9.44	9.48	8.97	9.59	14/6	8.73	16/2
4	Medium Coupons	5 years	11.09	11.19	10.85	11.33	14/6	9.96	8/2
5		15 years	9.89	10.01	9.4753	10.28	14/6	9.21	8/2
6		25 years	9.49	9.60	9.11	9.81	14/6	8.85	17/2
7	High Coupons	5 years	11.21	11.31	10.14	11.44	14/6	10.15	8/2
8		15 years	10.11	10.23	9.63	10.49	14/6	9.41	8/2
9		25 years	9.65	9.76	9.20	9.99	14/6	8.99	27/1
10	Irredeemables		9.50	9.57	8.94	9.57	4/10	8.68	15/3
	Index-Linked								
11	Inflation rate 5%	5yrs.	3.71	3.70	3.20	4.04	2/6	2.75	21/8
12	Inflation rate 5%	Over 5 yrs.	3.65	3.66	3.81	3.84	3/6	3.41	21/8
13	Inflation rate 10%	5yrs.	2.91	2.89	2.13	3.38	2/6	1.91	21/8
14	Inflation rate 10%	Over 5 yrs.	3.48	3.49	3.64	3.67	3/6	3.23	21/8
15	Debs & Loans	5 years	13.18	13.51	11.74	13.51	5/10	11.47	30/12
16		15 years	12.21	12.33	11.21	12.33	5/10	11.19	1/2
17		25 years	11.57	11.63	10.87	11.63	28/9	10.66	27/2
18	Preference		10.46	10.45	10.23	10.46	6/10	10.00	17/3

‡Opening index 2259.7; 10 am 2256.9; 11 am 2264.0; Noon 2265.1; 1 pm 2269.3; 2 pm 2273.7; 3 pm 2270.8; 3.30 pm 2273.3; 4 pm 2276.8 (a) 4.09pm (b) 9.29am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 32p.
CONSTITUENT CHANGES: Norton Opax (32) and Fleming Technology Investment Trust (71) have been deleted. Macallan Glenlivet (22) has been inserted.

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INTERNATIONAL COMPANIES AND FINANCE

Thomson-CSF slips 7.6% in first half after restructuring

By George Graham in Paris

THOMSON-CSF, the listed defence arm of the leading French nationalised electronics group Thomson, has reported a 7.6 per cent decline in first-half earnings to FFr1.5bn ($228m).

The company said sales in the first half had fallen by 9 per cent to FFr14.54bn, but that this apparent decline was largely due to restructurings which have removed some subsidiaries from the accounts.

These changes include the sales of Bronzavia-Air Equipement and ABG-Semca, as well as the transfer of all aviation electronics activities to Sextant Avionique, a joint venture between Thomson-CSF and Aerospatiale, the French state-owned aircraft and missile builder.

Operating profits for the period stood at FFr705m, while financial earnings sank by 24 per cent to FFr1.44bn. This left pre-tax earnings at FFr2.22bn, a decline of 18 per cent from the first six months of 1988.

Thomson-CSF said yesterdey that for the full year it expected to post sales slightly lower than 1988's FFr33.5bn, with the defence electronics activities it recently agreed to acquire from Philips of the Netherlands not entering into the accounts until next year.

Operating profits for the full year should show an increase, the company said, thanks to the restructuring carried out in its electronics and defence systems divisions, but net profits for the year were likely to be lower than 1988's FFr2.97bn.

Moulinex sustains recovery midway

By George Graham

MOULINEX, the second largest French manufacturer of household electrical equipment, has continued its recovery with a 47 per cent profits advance in the first six months of this year.

The group said net profits rose to FFr47m ($7.4m) from FFr32m in the first half of 1988, on the back of a 23 per cent rise in sales to FFr2.15bn.

Moulinex, which earlier this year completed a buy-out which placed control of the company in the hands of its senior managers and employees, has recently been expanding with the acquisition of Iperti, its Italian distributor, and the purchase of Swan, the UK kettle maker, and its sister company Girmi, an Italian kitchen processor maker.

These acquisitions should help Moulinex regain some of the ground lost in recent years to SEB, its main French competitor which owns the Tefal, Calor and Rowenta brands.

The company said that sales in the first nine months of the year showed a 24 per cent gain to FFr3.29bn, counting Iperti from July 1 and Swan and Girmi from September 1.

USX shares edge higher after Icahn boosts stake

By Anatole Kaletsky in New York

SHARES in USX, the US steel, energy and industrial conglomerate, rose ⅞ to $39 by lunchtime yesterday after Mr Carl Icahn, Wall Street's most celebrated corporate raider, said he had bought 4.25m shares in the company since the beginning of this week. The purchase lifts his stake to 13.06 per cent.

In a Securities & Exchange Commission filing Mr Icahn said he wanted a "meaningful restructuring" of USX and was "studying the possibility" of a takeover bid.

Mr Icahn has been the biggest single shareholder in USX since late 1986, when he acquired a 11.4 per cent stake and launched an abortive $7bn, or $31 a share, bid for the entire company.

He later reached an uneasy truce with USX management and shifted his attention to Texaco, the big multinational oil company. When Mr Icahn disposed of $2bn worth of Texaco shares at a huge profit in June this year another sortie against USX was widely expected.

Until recently, a factor in Mr Icahn's relative quiescence as a USX shareholder was said to have been his good relationship with Mr David Roderick, the company's outgoing chairman. When Mr Roderick retired this summer, Mr Icahn began to apply pressure on Mr Charles Corry, the new chairman, demanding steps to restructure the company and increase shareholder value.

Corona adds lustre to its European profile

Kenneth Gooding follows the fortunes of the fast-growing Canadian gold mining group

CORONA *Corporation*, a Canadian mining group, has grown in the past five years from being a high-cost producer of only 15,000 troy ounces of gold a year to become the fifth largest gold producer in North America and the one with the lowest costs.

It is now mounting an aggressive campaign to boost its recognition among institutional investors in Europe. Mr Ned Goodman, chairman, said in London that this was necessary as the uncertainty which had depressed Corona's share price since it was set up in 1985 had been removed.

On August 11 the Supreme Court of Canada awarded Corona the Williams Mine, located in the Hemlo Gold Camp in Ontario, one of the world's richest gold deposits.

Corona and Teck Corporation, another Canadian group which has a 50 per cent stake in the mine via an agreement between the two companies, have taken control of Williams in exchange for US$210m payable to Lac Minerals, which lost the court battle.

This will boost Corona's gold output this year to abont 650,000 oz at an average cash cost of between $200 and $220 an ounce. Mr Goodman said that if the price of gold, currently about $365 an ounce, fell to $300 an ounce, 87 per cent of Corona's production would remain economic.

At $200 an ounce 70 per cent would remain economic. At this level only 30 per cent of the non-communist world's production would be viable, he added. Corona intends to join, by 1992 at the latest, the select band of producers with an output above 1m oz a year.

Mr Goodman has also been explaining to European institutions why Corona backed away from the takeover of Bond International Gold (BIG), the New York-quoted group which includes most of the gold mining assets of Mr Alan Bond, the beleaguered Australian entrepreneur.

He said Corona carried out a worldwide "dne diligence" investigation of BIG which proved it had excellent assets and first-class technical management. But "we were too far apart on price."

Acquisition of BIG at the price asked would have had "a negative impact on Corona shares" – an important consideration as more than 7 per *cent of Corona's capital* (carrying more than 48 per cent of the votes) is owned by management and employees.

NORTH AMERICAN GOLD PRODUCERS (ESTIMATES FOR 1989)

	Production (oz)	Cash cost* (US$/oz)
Newmont Gold	1,436,900	243
Placer Dome	1,170,000	237
Homestake	869,000	253
Echo Bay	714,000	239
Corona	610,000	224

* Average including mining, milling, administration and royalties. Source: Burns Fry

MR Goodman said the outcome of the negotiations with Mr Bond *might* have been different if Corona had been awarded a cash settlement by the Canadian court instead of the Williams mine. "Then we could have quickly converted the cash back into gold-producing assets by buying BIG."

Questioned about the North American gold assets recently acquired with Consolidated Gold Fields by Hanson of the UK, Mr Goodman indicated that these, too, looked expensive.

Mr Igor Levental, director for acquisitions and evaluations, said, however, that Corona had neither approached Hanson nor been approached by that company.

Mr Levental said that, once the sale of Corona's 7 per cent shareholding in Bond had been *completed* next Monday, the company would have debts totalling $370m. About 40 per cent of this was in gold-related instruments carrying an average interest rate of 2.5 per cent.

Corona had sold forward about a third of its projected gold output in 1989-90 at prices between $460 and $470 an ounce.

In the year to June Corona's net earnings at C$18.9m (US$16.1m) were abont the same as the C$18.2m for the previous 12 months, in spite of the average gold price falling from US$437 an ounce to $384.

CORONA estimates that about 30 per cent of its shares are held by *European investors and* during the next few days Mr Goodman will make presentations to institutional investors in Edinburgh, Paris, Zurich, Geneva and Frankfurt.

He said the company, already quoted on three Canadian stock exchanges and the American Stock Exchange, intended to seek listings in London, Paris and Zurich.

Henderson Land posts 31% rise

By John Elliott in Hong Kong

HENDERSON Land Development, a leading residential property group controlled by Mr Lee Shau-kee, one of Hong Kong's wealthiest entrepreneurs, yesterday announced a 31 per cent increase in net profit after minority interests to HK$1.31bn (US$167.9m) for the year ended June 1989.

Mr Lee said yesterday that confidence had gradually recovered after suffering a setback with the June events in China. There was particularly strong demand for small- to medium-size residential units whose prices were near their pre-June record levels.

An "encouraging" recovery also occurred in the industrial and office property sectors.

Group turnover rose to HK$2.37bn for the year, from HK$2.28bn. Attributable completed project area amounted to 2.24m sq ft, including 2,900 residential units.

Henderson Land's shareholdings in its main subsidiaries have been increased following last year's group reshape. Its stake in Henderson Investment has risen from 65.1 per cent to 71.8 per cent and in Hong Kong and China Gas from 26.4 per cent to 29.3 per cent.

Henderson Investment yesterday announced a 160 per cent increase in net profit excluding exceptional items to HK$527.5m for the year ended June 1989.

Swedish shipping line acquires consortia

By Kevin Brown, Transport Correspondent

BILSPEDITION, the Swedish shipping group, is to take majority control of two consortia trading between Europe and the US.

The Atlantic Container Line (ACL) consortium said yesterday that Transatlantic Shipping, a subsidiary of Bilspedition, would increase its stake from 33.4 per cent to 77.8 per cent by buying the 22.2 per cent holdings of Wallenius Lines of Sweden and Compagnie Générale Maritime (CGM) of France.

Cunard Ellerman, a subsidiary of Trafalgar House of the UK, will retain its existing 22.2 per cent holding in ACL, which operates medium-sized container ships on North Atlantic routes.

Bilspedition and Cunard Ellerman will take similar shareholdings in Gulf Container Line (GCL), which operates on routes from Europe to the US Gulf. GCL has the same shareholding structure as ACL, with the exception of CGM.

The announcements mark the end of a year of uncertainty over the future of ACL, which has been trading on the North Atlantic since 1965 but which has been hit recently by intense competition.

ACL said the long-term intention was to integrate its operations with GCL to offer a single all-inclusive service to both the eastern and southern coasts of the US.

Mr Olav Rakkenes, president of Transatlantic, will be chairman of the ACL board, but Mr Bengt Koch, the long-standing head of the consortium, will remain as president.

Mr Rakkenes said the restructuring was "the first and very vital step in forming an even stronger and more competitive ACL." The consortium's emphasis on intermodal services was a good fit with the strategy of Bilspedition, he added.

Mr Koch said the announcement was "a positive conclusion" to restructuring talks. "While our original shareholding served us well for the last 20 years or so, it was becoming increasingly evident that we needed to run ACL with a simpler structure that is able to respond quickly and effectively."

Mr Arne Koch, president of Wallenius Lines, said the company would continue to space-charter the car deck capacity of ACL's ships.

Wallenius, one of the world's biggest vehicle transport specialist, also announced orders for two car and truck carriers from Hitachi Zosen of Japan. The ships will join the existing Wallenius fleet of 26 vehicle-carrying ships.

Bergesen hit by decline in spot contract tanker rates

By Karen Fossli in Oslo

BERGESEN, Norway's leading bulk shipowner, has reported an increase in operating revenue to NKr1.59bn ($228m) in the first eight months of this year, up from NKr1.39bn in the same period last year. Operating profit before depreciation rose to NKr510m from NKr457m.

However, profit before tax slid to NKr381m from NKr505m, the result of an increase in depreciation to NKr271m from NKr171m, a big drop in foreign exchange income and lower spot contract rates for tankers.

Bergesen said that operating profits for liquefied petroleum gas and dry cargo vessels were expected to be satisfactory for 1989 as a whole, although operating profit from crude oil tankers would probably show a substantial decline.

● Laboremus, one of the world's largest owners of gas carriers, increased eight-month operating profits to NKr161.1m from NKr61.7m in last year's corresponding period.

Net operating profit more than doubled to NKr98.7m from NKr40.1m while profits before extraordinary items totalled NKr134.6m against NKr52.8m.

Saudi American Bank on course for record year

By Victor Mallet

SAUDI American Bank (Samba) yesterday announced third-quarter profits of SR106.1m ($28.3m), bringing earnings in the first nine months of 1989 to SR292.2m, a 58 per cent increase over the same period last year.

Samba, 40 per cent owned by Citibank of the US, posted profits of SR235.2m in the whole of 1988. Assets at September 30 were SR23.5bn, compared with SR21.8bn a year earlier.

Mr Shaukat Aziz, the outgoing managing director, said the earnings growth of the last three years reflected the success of the bank's strategy in implementing aggressive programmes for business development, product innovation and operational efficiency.

Meanwhile, Mr Abulaziz bin Hamed Algosaibi, Samba's chairman, announced the appointment of Mr Mehli Mistri as managing director, from October 22. Mr Aziz will return to Citibank in London.

"During Mr Shaukat Aziz's tenure as managing director of Samba," Mr Algosaibi said, "profits up to 1988 increased threefold and, based on the results for the first three quarters, 1989 is likely to be a record year."

Writedowns push Bond's gold interest into loss

By Kenneth Gooding, Mining Correspondent

BOND International Gold (BIG), into which Mr Alan Bond, the Australian entrepreneur, injected most of his gold mining interests, suffered an attributable loss of US$69.9m or $1.26 a share in its first year as a New York-listed public company.

The company made a net operating profit of $23.3m in the year to June but this was offset by writedowns of $13m on its Colosseum and Yuba operations in California, and asset writedowns and losses of $70m by Gold Mines of Kalgoorlie, its Australian affiliate.

BIG sold its interest in the Yuba operation last month and also reduced its interest in GMK so will not equity account this investment in future.

The company's attributable output in the financial year was 477,340 troy ounces of gold, 1.29m oz silver and 28,480 tonnes of copper. These were sold at average prices of US$398 an ounce, $6.01 an ounce and $1.14 a pound respectively.

Average cash costs, net of by-product credits, for all gold production was $204 an ounce. But in North and South America the cost was only $161 an ounce for the 404,010 oz produced.

Mr Alan Birchmore, chief executive, said the company expected to produce more than 600,000 oz of gold in the current fiscal year following the construction of three new mines in the past 12 months.

BIG shares were sold at $11.50 each when the company was launched on the New York stock exchange – for a total of $308m – making it the biggest gold company flotation ever.

Sales leap 32% at Magna Intl

MAGNA International, Canada's largest car parts maker, has reported profits of C$33.6m (US$28.7m) or $1.19 a share for the year ended July 1989, but, on an operating basis there was a loss of about C$37m, writes Robert Gibbens from Montreal.

Sales climbed 32 per cent to C$1.9bn. Magna has included a C$63.8m gain from property sales in this year's profit and a C$9.7m gain from the disposal of shares in subsidiaries. The accounts also take in a special charge of C$30m to cover rationalisation expenses.

The company cut its latest quarterly dividend in half, to 6 cents a share. It is in the throes of a C$1bn investment programme.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1989	Low 1989
Gold per troy oz.	$363.25	-2.75	$403.00	$412.25	$356.5
Silver per troy oz	321.45p	-3.35	372.15p	358.65p	313.90p
Aluminium 99.7% (cash)	$1802.5	+38.5	$2305	$2610	$1664
Copper Grade A (cash)	£1823.0	+72.5	£1582	£1962.5	£1474
Lead (cash)	£457.25	-3.75	£372	£473.5	£337
Nickel (cash)	$10370	-490	$11450	$19350	$10370
Zinc (cash)	$1605	-40	$1402.5	$2107.5	$1497.5
Tin (cash)	$8475.0	-112.5	$4270	$10760	$7480
Cocoa Futures (Mar)	£726		£792	£947	£716
Coffee Futures (Jan)	£658		£1155	£1270	£658
Sugar (LDP Raw)	$354.5	+1.5	$249.0	$363.6	$235.8
Barley Futures (Jan)	£110.25	+2.50	£108.70	£113.50	£100.95
Wheat Futures (Jan)	£112.50	+0.95	£110.3	£121.65	£104.7
Cotton Outlook A Index	82.60c	+2.40	57.00c	84.95c	61.35c
Wool (64s Super)	587p		672p	710p	585p
Rubber (Spot)	55.25	-0.75	59.00p	64p	55p
Oil (Brent Blend)	$18.47	+0.08	$11.325	$21.35	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.70-5.80q	-.025
Brent Blend	$18.50-8.60w	
W.T.I. (1 pm est)	$19.85-9.90q	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$204-206	-2
Gas Oil	$172-173	
Heavy Fuel Oil	$95-96	+1
Naphtha	$151-153	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$363.25	-2.25
Silver (per troy oz)♣	513c	-13
Platinum (per troy oz)	$486.15	-5.50
Palladium (per troy oz)	$137.25	-3.00
Aluminium (free market)	$1760	-10
Copper (US Producer)	134½-138c	
Lead (US Producer)	40.5c	
Nickel (free market)	460c	
Tin (Kuala Lumpur market)	22.31r	+0.10
Tin (New York)	392.5c	-2.0
Zinc (US Prime Western)	80.25c	
Cattle (live weight)†	114.67p	-1.22*
Sheep (dead weight)†	183.67p	+8.82*
Pigs (live weight)†	104.32p	-0.73*
London daily sugar (raw)	$354.4y	-4.6
London daily sugar (white)	$407y	
Tate and Lyle export price	£305.5	-3.0
Barley (English feed)	£110.5x	
Maize (US No. 3 yellow)	£124.00w	+0.75
Wheat (US Dark Northern)	£127.5w	
Rubber (spot)♥	55.25p	-0.25
Rubber (Nov)♥	58.25p	-0.25
Rubber (Dec)♥	59.00p	-0.25
Rubber (KL RSS No 1 Nov)	232.5m	-0.5
Coconut oil (Philippines)§	$465z	
Palm Oil (Malaysian)§	$335t	
Copra (Philippines)§	$315	
Soyabeans (US)	£165q	
Cotton "A" index	82.60c	
Wooltops (64s Super)	587p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Jan/Mar. v-Sep/Oct. w-Oct. q-Nov. z-Jan/Feb. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

CRUDE OIL - IPE $/barrel

	Close	Previous	High/Low	
Nov	18.22	18.19	18.34	18.15
Dec	18.02	17.96	18.12	17.93
Jan	17.84	17.76	17.84	17.74
IPE Index	18.26	18.40		

Turnover: 5273 (6009)

COCOA - London FOX £/tonne

	Close	Previous	High/Low	
Dec	733	734	757	730
Mar	726	722	731	722
May	738	731	738	732
Jul	749	746	750	744
Sep	767	760	767	760
Dec	790	785	790	780
Mar	810	809	812	806

Turnover: 7933 (6757) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Oct 6 856.12 (857.26): 10 day average for Oct 9 870.48 (873.47)

COFFEE - London FOX £/tonne

	Close	Previous	High/Low	
Nov	673	687	687	660
Jan	658	684	681	655
Mar	670	695	692	667
May	697	714	705	686
Jul	715	731	731	710
Sep	733	760	745	730
Nov	755	774	765	750

Turnover: 8066 (5985) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Oct 5: Comp. daily 51.51 (51.52). 15 day average 57.04 (57.51)

SUGAR - London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	307.00	317.00	316.00	314.00
Mar	303.00	314.40	313.40	302.40
May	302.00	308.80	307.40	298.00
Aug	302.00	309.20	309.00	293.00
Oct	292.00	301.00	298.00	291.00
White	**Close**	**Previous**	**High/Low**	
Dec	384.40	393.00	393.00	385.00
Mar	383.50	392.50	391.50	374.00
May	381.00	391.80	390.00	373.00
Aug	385.00	393.00	392.00	381.00
Oct	357.00	377.00	372.00	

Turnover: Raw 5502 (3079) lots of 20 tonnes. White 1370 (1181). Paris- White (FFr per tonne): Dec 2475, Mar 2477, May 2490, Aug 2500, Oct 2392, Dec 2335.

GAS OIL - IPE $/tonne

	Close	Previous	High/Low	
Oct	170.75	170.00	171.75	169.00
Nov	169.25	169.50	170.25	168.00
Dec	167.75	167.75	169.25	167.00
Jan	165.00	165.50	167.25	165.00
Feb	162.50	162.25	164.00	162.50
Mar	160.00	161.00	160.50	159.00
Apr	155.50	157.00	156.00	155.50
May	155.00	155.00		

Turnover 10323 (10415) lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 12,700 tonne
Cash	1800-5	1805-9		1780-4		
3 months	1765-7	1773-4	1775/1745	1747-8	1775-6	34,776 lots
Copper, Grade A (£ per tonne)						Ring turnover 49,850 tonne
Cash	1822-4	1789-90	1815/1786	1786-6.5		
3 months	1825-6	1794-5	1848/1790	1792.5-3.5	1837-8	70,042 lots
Lead (£ per tonne)						Ring turnover 8,725 tonne
Cash	457-7.5	461-2	459/458	458.5-9.0		
3 months	456-8.5	459-60	461/456	459-9.5	457-8	12,674 lots
Nickel ($ per tonne)						Ring turnover 2,070 tonne
Cash	10350-60	10410-20	10400/10350	10340-50		
3 months	10150-75	10175-200	10250/10125	10160-75	10250-300	5,684 lots
Tin ($ per tonne)						Ring turnover 275 tonne
Cash	8470-80	8570-80		8550-70		
3 months	8470-80	8550-70	8625/8470	8520-30	8460-50	5,812 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 11,450 tonne
Cash	1665-7	1675-80	1665	1665-8		
3 months	1665-8	1675-7	1675/1660	1667-70	1675-80	13,712 lots
Zinc ($ per tonne)						Ring turnover 5,600 tonne
Cash	1600-10	1615-25		1600-3		
3 months	1590-600	1605-10		1590-600	1610-20	4,485 lots

LME Closing £/$ rate: SPOT: 1.6040 3 months: 1.5812 6 months: 1.5674 9 months: 1.5581

POTATOES - BFE £/tonne

	Close	Previous	High/Low	
Nov	128.0	135.9	138.0	
Apr	212.0	212.2	213.0	210.0
May	237.0	235.0	237.0	

Turnover 118 (395) lots of 40 tonnes.

SOYABEAN MEAL - BFE £/tonne

	Close	Previous	High/Low	
Feb	143.50	142.00	143.50	
Apr	143.00	143.00	143.00	142.50

Turnover 75 (15) lots of 20 tonnes.

FREIGHT FUTURES - BFE $10/index point

	Close	Previous	High/Low	
Oct	1520	1520	1535	1525
Nov	1551	1550	1609	1597
Jan	1535	1517	1635	1520
Apr	1651	1645	1660	1660
Jul	1412	1408	1412	
BFI	1466	1468		

Turnover 660 (416)

GRAINS - BFE £/tonne

Wheat	Close	Previous	High/Low	
Nov	108.05	107.60	108.05	107.60
Jan	112.50	112.10	112.50	112.20
Mar	115.20	114.90	115.25	115.00
May	118.00	117.60	118.00	117.65
Jul	120.50	120.00	120.35	
Barley	**Close**	**Previous**	**High/Low**	
Nov	106.30	106.05	106.60	106.00
Jan	110.25	109.85	110.25	110.10
Mar	113.50	112.85	113.50	113.25
May	115.20	114.85	115.25	115.10

Turnover: Wheat 342 (186), Barley 441 (258). Turnover lots of 100 tonnes.

PIGS - BFE (Cash Settlement) p/kg

	Close	Previous	High/Low	
Oct	125.0	124.5	125.0	
Nov	125.4	125.6	125.7	
Feb	125.0	123.5		
Apr	124.0	123.0		
Jun	123.0	122.0	122.0	
Aug	118.5	118.0	118.5	

Turnover 25 (118) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	363-363½	225¼-225¾
Opening	363½-364	226¼-226¾
Morning fix	363.60	226.38
Afternoon fix	363.00	225.648
Day's high	363¾-364¼	
Day's low	362¾-363¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	372-377	232-235
Britannia	372-377	232-235
US Eagle	372-377	232-235
Angel	372-377	232-235
Krugerrand	362-365	225-227
New Sov.	85½-86½	53¼-54
Old Sov.	85½-86½	53¼-54
Noble Plat	491.85-499.80	305.55-310.45
Silver fix	**p/fine oz**	**US cts equiv**
Spot	321.45	515.00
3 months	333.50	526.70
6 months	345.45	538.45
12 months	368.65	561.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1700	108	152	12	47
1800	44	54	47	67
1900	15	25	114	165
Copper (Grade A)	**Calls**		**Puts**	
2500	179	182	34	103
2600	115	133	68	151
2700	67	94	120	209
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
600	73	80	3	25
650	35	46	16	31
700	13	32	43	77
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
700	66	57	15	42
750	35	43	35	58
800	18	[illegible]	68	[illegible]
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
1800	41	52	40	69
1900	20	32	[illegible]	[illegible]
2000	9	19	[illegible]	[illegible]

US MARKETS

IN THE METALS, gold and platinum were mixed as a quiet US dollar failed to provide direction, reports Drexel Burnham Lambert. Silver futures were weak for most of the session as fund activity pressured the market. Copper continued to rally from strong technical buying. In the softs, sugar had the most active day as sell stops weakened prices. March lost 49c closing at 13.81. Coffee remained lower while cocoa closed down after choppy trading. The grains featured lower prices in the soy complex and corn markets from commission house liquidation. Wheat futures were steady. The livestocks had lower belly prices due to heavy stop-loss selling. February bellies sank 130c to close at 47.12. Live hogs and cattle were mixed after quiet sessions. Cotton rallied as trade buying helped prices break through resistance levels. The energy markets were featureless with very light volume traded.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	363.7	363.4	363.7	363.7
Nov	365.2	365.9	0	0
Dec	368.2	367.9	369.0	367.3
Feb	372.2	372.6	372.9	371.2
Apr	376.3	376.2	376.8	375.0
Jun	380.3	380.4	380.4	380.1
Aug	384.3	384.4	0	0
Oct	388.4	388.5	0	0
Dec	392.8	392.9	392.9	392.9

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	487.1	487.7	487.0	486.0
Nov	491.9	492.5	0	0
Jan	493.1	494.2	495.5	490.0
Apr	498.9	497.7	498.0	493.5
Jul	501.3	501.2	501.0	500.5
Oct	504.2	504.7	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	511.7	519.6	513.0	512.5
Nov	515.1	523.4	0	0
Dec	519.0	524.3	524.4	518.0
Jan	522.0	527.3	0	0
Mar	530.6	536.2	536.0	530.0
May	538.4	544.2	544.5	538.0
Jul	546.3	552.3	552.0	549.5
Sep	554.3	560.6	558.0	558.0
Dec	565.8	572.5	571.0	567.0
Jan	569.7	575.5	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	134.95	132.50	134.90	131.80
Nov	133.05	130.45	0	0
Dec	131.40	128.65	132.10	127.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Nov	19.89	19.98	20.04	19.82
Dec	19.71	19.77	19.84	19.65
Jan	19.30	19.36	19.44	19.27
Feb	19.13	19.20	19.17	19.11
Mar	19.03	19.08	19.03	19.02
Apr	18.94	18.97	18.96	18.92

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Nov	5790	5791	5830	5760
Dec	5820	5833	5845	5790
Jan	5850	5865	5885	5830
Feb	5650	5655	5680	5620
Mar	5300	5310	5320	5290
Apr	5100	5110	5100	5120
May	5000	5005	5000	5000
Jun	4970	4965	0	0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1005	1017	1035	1002
Mar	1017	1026	1042	1015
May	1030	1043	1055	1030
Jul	1050	1066	1068	1050
Sep	1069	1086	1085	1075
Dec	1099	1112	1124	1097
Mar	1128	1135	1148	1145

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	70.39	72.69	72.75	70.28
Mar	72.72	75.48	74.78	72.70
May	74.45	77.25	76.85	74.45
Jul	75.88	79.20	77.50	76.00
Sep	78.25	81.75	81.60	80.00
Dec	82.50	85.00	84.50	82.50
Mar	85.00	87.88	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	13.30	13.58	0	0
Mar	13.81	14.10	14.02	13.58
May	13.41	13.63	13.71	13.38
Jul	13.19	13.51	13.38	13.15
Oct	12.85	13.21	12.85	12.79
Jan	12.64	12.88	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	78.00	75.57	76.75	75.15
Dec	76.18	74.62	76.70	74.80
Mar	76.50	75.48	76.70	75.00
May	76.72	76.28	77.05	76.02
Jul	76.85	76.50	77.20	75.45
Oct	70.55	69.20	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	136.95	137.65	137.25	136.10
Jan	133.85	132.70	132.25	132.00
Mar	130.85	131.50	132.75	130.00
May	130.50	131.90	131.00	130.00
Jul	130.25	131.90	0	0
Sep	130.25	131.25	0	0
Nov	130.25	131.25	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 5	Oct 4	mnth ago	yr ago
1859.9	1869.3	1909.7	1886.4

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	129.48	129.84	128.46	132.09
Futures	130.98	131.26	129.77	136.72

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	567/4	574/0	574/4	567/0
Jan	578/6	586/4	585/4	578/4
Mar	592/6	598/2	599/4	591/0
May	601/6	609/2	609/4	600/4
Jul	606/6	610/0	611/0	605/4
Aug	603/2	607/0	605/4	603/0
Sep	585/0	593/0	588/4	585/4
Nov	583/4	591/4	591/0	585/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	18.44	18.82	18.75	18.42
Dec	18.80	19.14	19.14	18.78
Jan	19.00	19.38	19.30	19.00
Mar	19.44	19.81	19.82	19.43
May	19.86	20.20	20.11	19.88
Jul	20.25	20.55	20.50	20.25
Aug	20.30	20.60	20.47	20.30
Sep	20.30	20.65	20.35	20.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	182.7	182.7	182.8	180.5
Dec	184.5	186.9	186.8	184.4
Jan	182.7	184.7	184.8	182.6
Mar	180.9	182.9	182.7	180.8
May	179.7	181.7	181.4	179.5
Jul	178.3	179.7	180.5	178.0
Aug	177.0	178.2	178.2	177.0
Sep	176.0	177.0	177.0	176.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	238/6	243/2	243/4	238/4
Mar	245/4	250/0	250/4	245/2
May	251/0	255/2	255/2	250/2
Jul	253/0	258/0	258/0	252/6
Sep	244/0	248/0	248/0	244/0
Dec	240/6	245/0	245/2	240/6
Mar	246/0	250/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	411/4	410/6	415/4	411/4
Mar	407/2	405/6	410/4	404/4
May	389/2	387/0	391/0	385/6
Jul	369/2	366/0	371/0	365/4
Sep	363/4	359/4	366/0	363/4
Dec	374/0	370/4	374/0	371/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	71.87	71.30	71.72	71.25
Dec	73.85	73.82	73.92	73.45
Feb	73.55	73.77	73.50	73.42
Apr	74.57	74.55	74.75	74.45
Jun	71.57	71.30	71.60	71.30
Aug	70.05	70.20	70.15	70.05

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	46.15	45.57	46.30	45.70
Dec	44.82	45.20	44.90	44.60
Feb	45.37	45.57	45.60	44.90
Apr	43.35	43.35	43.65	[illegible]
Jun	47.95	48.10	48.30	47.95
Jul	47.82	46.30	48.20	47.70
Aug	46.22	47.25	46.50	46.20
Oct	43.25	43.20	43.20	43.20

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	47.12	48.42	48.75	47.00
Mar	46.80	48.40	48.50	46.80
May	47.45	48.60	48.75	47.40
Jul	46.95	48.15	48.35	46.90
Aug	44.37	45.05	44.45	43.57

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Strong demand for the dollar

CENTRAL BANK intervention failed to prevent a further rise in the value of the dollar yesterday. Demand for the currency was strong, in spite of dollar sales by the US Federal Reserve and several European central banks. Co-ordinated intervention was also seen earlier in Singapore and Sydney, where it was reported that the Fed, Bank of Japan and the West German Bundesbank sold dollars. The Bank of Japan intervened in Tokyo.

Indications of weakness in the US labour market, which may encourage an easing of the Fed's monetary policy, did not stop the dollar rising. The market suspects the next move in US interest rates will be down, but is uncertain about the timing. Figures released yesterday showed a rise of 209,000 in September non-farm payrolls, well above the revised August gain of 88,000, but below forecasts of around 275,000.

Dealers also noted that manufacturing employment fell by more than 100,000, while the overall unemployment rate rose to 5.8 per cent from 5.2 per cent.

Apart from a technical shortage of dollars, the currency was also helped by recent signs of an improvement in the US trade position and expectations that an economic slowdown will be relatively gentle, sustaining growth above 2 per cent.

At the London close the dollar had climbed to DM1.8915 from DM1.8855; to Y142.80 from Y142.30; to SFr1.6450 from SFr1.6360; and to FFr6.4150 from FFr6.3900. The dollar's index rose to 70.3 from 69.8.

As attention switched back to the dollar, sterling had a fairly quiet day, weakening against the US currency, but only easing slightly against the D-Mark after Thursday's rise in UK bank base rates. The pound fell ¾ cent to $1.6025; to DM3.0300 from DM3.0350; to Y228.75 from Y229.00; to FFr10.2800 from FFr10.2875, but was unchanged at SFr2.6350. Sterling's index eased to 91.4.

The corresponding increase in the Bundesbank's official rates failed to prevent a weakening of the D-Mark against the dollar, but the German currency was firm against the yen, rising slightly to Y75.50 from Y75.47. The market expects the D-Mark to remain strong against the yen, after Japan's failure to follow an upward move in European interest rates, possibly taking the cross rate up to Y76.00.

There was no reaction to the comment by Mr Karl Otto Pöhl, president of the Bundesbank, that Germany is likely to achieve a record current account surplus of around DM115bn this year, compared with DM86.5bn in 1988.

£ IN NEW YORK

Oct.6	Latest	Previous Close
£ Spot	1.6060-1.6070	1.6120-1.6130
1 month	0.68-0.67pm	0.79-0.78pm
3 months	2.03-2.00pm	2.28-2.26pm
12 months	7.38-7.28pm	7.85-7.73pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5950-1.6150	1.6020-1.6030	0.81-0.78cpm	5.95	2.30-2.27pm	5.70
Ireland†	1.4025-1.4170	1.4090-1.4100	0.18-0.13cpm	1.31	0.63-0.53pm	1.64
Canada	1.1740-1.1790	1.1760-1.1770	0.30-0.33cdis	-3.22	0.87-0.92dis	-3.05
Netherlands	2.1200-2.1460	2.1355-2.1365	0.21-0.19cpm	1.13	0.57-0.53pm	1.03
Belgium	39.40-39.95	39.75-39.85	0.50pm-1.50cdis	-0.15	par-3.00dis	-0.15
Denmark	7.32-7.40½	7.37-7.37½	0.88-1.02cdis	-1.56	2.55-3.00dis	-1.52
W. Germany	1.8760-1.9010	1.8910-1.8920	0.18-0.16pfpm	1.08	0.50-0.47pm	1.03
Portugal	159.20-160.40	160.25-160.35	62-72cdis	-5.03	240-265dis	-6.99
Spain	118.90-120.40	119.85-119.95	50-55cdis	-5.29	140-150dis	-0.13

POUND SPOT- FORWARD AGAINST THE POUND

EMS EUROPEAN CURRENCY UNIT RATES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKETS

UK rates steady

INTEREST RATES were steady in London yesterday. Three-month sterling interbank was unchanged at 14⅝-14¾ per cent.

The Bank of England initially forecast a money market shortage of £1,100m, but revised this to £1,200m at noon. Total help of £957m was provided. An early round of help was offered, when the authorities bought £214m bills by way of £5m bank bills in band 1 at 14⅞ per cent; £1m Treasury bills in band 2 at 14⅞ per cent; and £208m bank bills in band 2 at 14⅞ per cent.

UK clearing bank base lending rate 15 per cent from October 5

Another £579m bills were bought before lunch, via £10m Treasury bills and £160m bank bills in band 1, plus £59m Treasury bills and £350m bank bills in band 2, at similar rates. In the afternoon £164m bank bills were bought in band 2, also at a similar rate.

Bills maturing outside official hands and repayment of late assistance added a net £298m to liquidity. This was outweighed by Exchequer transactions draining £870m; a rise in the note circulation of £435m; and bank balances below target of £95m.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

FT-SE 100 INDEX

POUND-$ (FOREIGN EXCHANGE)

PHILADELPHIA SE £/$ OPTIONS

CHICAGO

Mar	92.42	92.42	92.35	92.35
Jun	92.62	92.60	92.55	92.54
Sep	92.66	92.62	92.59	92.59

Estimated volume 9485 (14167)
Previous day's open int. 22146 (23201)

FT GUIDE TO WORLD CURRENCIES
Every Tuesday in the FT

LONDON TRADED OPTIONS

TRADED options had a busy end to the week as the stock market began to recover its composure after the bruising it received when interest rates were raised on Thursday.

The options market turned over 48,183 contracts, compared with 45,795 on Thursday. This was divided between 24,140 calls and 24,043 puts.

Once again activity was concentrated in the FT-SE 100 index option, which traded 18,312 contracts, compared with 12,220 on Thursday. Business was split between 6,341 calls and 11,971 puts, with the December 2,250 put the most active series. This traded 1,990 lots.

Dealers said profit-taking by market makers and institutions accounted for a large portion of turnover. Institutions also appeared keen to open fresh long put positions to protect their portfolios from further market falls. The 505m share turnover on the underlying market also helped boost options trading, they said.

Among the individual company options, Jaguar was the busiest, as takeover speculation persisted. Dealers said talk that Ford may be able to bid for Jaguar earlier than had previously been thought helped boost the share price and lift options activity. Institutions, long of in-the-money calls, were said to be sellers and also buyers of out-of-the-money calls.

Jaguar turned over 2,501 contracts, of which 1,729 were calls and 772 puts. The busiest series were the October 700 calls, which traded 545 contracts.

Ferranti options were introduced back to the market yesterday, trading 2,009 contracts. This was divided between 2,004 calls and 5 puts, with the November 60 calls the busiest series, trading 1,898 contracts.

Elsewhere, BAT was widely traded on speculation that Hoylake may be getting closer to winning the bitter takeover battle. It traded 1,792 contracts, of which 1,192 were calls and 600 puts. The busiest series was the November 850 call, which traded 578 contracts.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Lyons (*515)	500	24	44	64	6	20	24
	550	3½	21	37	40	44	48
Brit. Airways (*211)	180	32	38	44	½	2½	4
	200	15	22	28	3	7	10
	220	3½	11	19	14	16	18
Brit. Gas (*136)	130	18	20	27	4	7	9
	140	5	14	18	9	12	14
	160	1½	7	12	26	27	28
Storehouse (*135)	130	8	15	19	2½	7	8
	140	2½	18	14	8	22	15
Trafalgar (*355)	347	16	24	-	5	15	-
	360	-	-	32	-	-	25
	377	3	12	-	25	34	-
Utd. Biscuits (*372)	330	43	60	-	1	4	-
	360	18	38	48	4	11	17

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Tesco (*193)	180	18	28	-	2½	6	-
	200	6	14	20	11	13	14

Option		Calls Nov	Calls Jan	Calls Mar	Puts Nov	Puts Jan	Puts Mar
Abbey Nat. (*148)	140	15	17	21	2½	3½	4½
	160	3	6½	9	14	14	15

Option		Calls Nov	Calls Jan	Calls Apr	Puts Nov	Puts Jan	Puts Apr
ASDA Grp. (*174)	160	21	26	32	4½	7	10
	180	9	16	23	14	17	20

WORLD STOCK MARKETS

US MARKETS (3pm)

INDICES

NEW YORK

DOW JONES	Oct 6	Oct 4	Oct 3	Oct 2	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
ϕIndustrials	2773.56	2771.09	2754.56	2713.72	2773.56 2 (5/10)	2144.64 (3/1)	2773.56 2 (5/10/89)	41.22 (2/7/32)
Home Bonds	92.51	92.59	92.45	92.36	94.15 (2/8)	87.35 (23/3)	......	......
Transport	1498.76	1467.11	1459.28	1455.19	1532.01 (5/9)	959.90 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.37	217.68	217.56	216.49	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

ϕDay's High 2797.11 (2785.52) Low 2747.15 (2738.79)

STANDARD AND POOR'S	Oct 6	Oct 4	Oct 3	Oct 2	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	356.97	356.94	354.71	350.87	356.97 (5/10)	275.31 (3/1)	356.97 (5/10/89)	4.40 (1/6/32)
Industrials	406.98	407.04	404.44	400.05	407.04 (4/10)	318.66 (3/11)	407.04 (4/10/89)	3.62 (21/6/32)
Financial	35.09	35.18	35.00	34.45	35.18 (4/10)	24.30 (3/1)	35.18 (4/10/89)	8.64 (1/10/74)
NYSE Composite	198.05	197.90	196.84	194.90	198.05 (5/10)	154.98 (3/1)	198.05 (5/10/89)	4.46 (25/4/42)
Amex Mkt. Value	394.43	394.36	393.02	389.66	394.43 (5/10)	305.24 (3/1)	394.43 (5/10/89)	29.31 (9/12/72)
NASDAQ Composite	480.66	479.32	477.28	475.19	480.66 (5/10)	378.56 (3/1)	480.66 (5/10/89)	54.87 (31/10/72)

	Sep 29	Sep 22	Sep 15	year ago (approx.)
Dow Industrial Div. Yield	3.74	3.75	3.76	3.70

	Oct 4	Sep 27	Sep 20	year ago (approx.)
S & P Industrial div. yield	2.82	2.90	2.87	3.19
S & P Indl. P/E ratio	14.90	14.42	14.49	13.03

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
AMR	8,401,200	99⅞	+16⅞
USX	4,005,600	38⅞	⅛
Pan Am	3,868,800	4⅛	+ ½
AT&T	2,019,600	45	+ ⅛
Chevron	1,873,100	64⅛	+ 1⅞
Cen Me Pw	1,836,300	18⅛	+ ⅛
Paramount	1,812,800	62	+ 3⅛
IBM	1,740,500	107½	⅛
Citicorp	1,722,400	33⅛	⅝
Bristol Myers	1,463,700	53⅛	—

TRADING ACTIVITY

† Volume Millions	Oct 5	Oct 4	Oct 3
New York	177.890	194.590	182.550
Amex	15.616	15.990	14.351
NASDAQ	151.092	164.357	151.197
Issues Traded	1,959	1,971	1,974
Rises	736	812	995
Falls	732	652	512
Unchanged	491	507	467
New Highs	120	147	151
New Lows	23	10	23

CANADA

TORONTO	Oct 6	Oct 4	Oct 3	Oct 2	1989 HIGH	1989 LOW
Metals & Minerals	3781.6	3774.8	3797.8	3718.5	3919.2 (1/9)	3207.5 (3/1)
Composite	4023.1	4019.7	4011.9	3972.8	4023.1 (5/10)	3350.5 (6/1)
MONTREAL Portfolio	2059.55	2053.13	2047.05	2022.7	2059.55 (5/10)	1677.48 (3/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Oct. 6	Oct. 5	Oct. 4	Oct. 3	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1772.9	1772.5	1775.6	1772.1	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	863.2	865.1	867.0	863.5	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	505.66	502.24	494.71	484.70	505.66 (6/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6700.32	6698.41	6668.28	6619.55	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	333.98	331.54	328.52	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	677.6	680.9	681.4	684.7	815.8 (18/4)	674.8 (27/9)
FRANCE						
CAC General (31/12/82)	555.0	550.6	550.1	542.9	557.5 (29/9)	417.9 (4/1)
Ind. Tendance (30/12/88)	127.1	125.9	125.7	124.9	127.1 (6/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	684.38	678.43	678.89	672.13	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	2044.4	2027.5	2028.9	2008.1	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1624.86	1616.21	1613.27	1602.40	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2826.21	2803.17	2794.39	2786.65	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1778.36	1776.64	1778.54	1773.50	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	690.22	694.53	699.04	697.43	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35209.35	35522.99	35382.80	35366.37	35689.90 (28/9)	30183.79 (3/1)
Tokyo SE (Topix) (4/1/68)	2659.38	2676.99	2679.40	2688.80	2703.58 (2/10)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	270.1	268.6	268.2	266.7	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	207.7	206.5	206.2	205.1	218.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	686.62	685.00	687.52	684.13	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1216.45	1199.21	1121.83	1114.74	1217.44 (10/8)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1413.15	1404.90	1408.26	1388.32	1420.52 (13/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1574.0‡	1609.0	1620.0	1620.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2707.0‡	2711.0	2724.0	2724.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA						
Korea Comp Ex. (4/1/80)	922.85	925.11	929.28	(c)	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	323.20	323.31†	324.62	324.87	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4372.0	4370.7	4283.7	4337.3	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	811.0	807.4	799.5	790.5	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	9545.85	9317.76	9669.94	10043.96	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	688.56	688.00	680.63	668.82	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	546.5	547.5	548.2	551.2 (3/8)	487.6 (13/6)

**Saturday Sept. 30: Taiwan Weighted price: 10180.84

† Corrected figure.
‡ Subject to official recalculation.
Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Employment news supports winning streak

Wall Street

EMPLOYMENT figures which were weaker than expected gave a strong boost to the US bond market yesterday morning and helped power equity prices up to new records, *writes Anatole Kaletsky in New York.*

The Dow Jones Industrial Average continued its week-long winning streak, advancing a further 14.24 to a record 2,757.80 by 1.30 pm, on moderate volume of 118m shares.

The stock market's gains were partly attributable to the strength of the bond market, where prices rose about ½ point at the long end in response to the September employment figures.

The Labor Department reported that payroll employment grew by 209,000 in September, compared with Wall Street's consensus estimate of 260,000. As important was a sharp downward revision of August's employment growth from 110,000 to 68,000. The last two months' figures were affected by about 75,000 strikers who returned to work in September.

The bond market was also pleased by a drop of 103,000 in manufacturing employment in September. This weakness in the manufacturing sector was described as disturbing by the Commissioner for Labor Statistics, who noted it was the biggest fall in manufacturing employment since the recession of 1982.

Some bond market analysts argued that the weak manufacturing figures, combined with the persistent strength of the dollar, would encourage an early cut in interest rates.

The stock market's steady ascent continued to be led by the glamorous non-cyclical growth stocks, with Philip Morris and Procter & Gamble again registering the biggest gains among the blue chips. Morris rose $2⅞ to $177 while P&G advanced $2¾ to $129¾.

Industrial and technology stocks continued to lag. Dow Chemical, down $1⅞ at $102⅝, was one of the bigger losers, perhaps because of sensitivity to the rising dollar. Digital Equipment was an exception, gaining $1 to $92¼.

The day's busiest trading involved three special situations. USX rose $⅝ to $39 with 3.4m shares changing hands after Thursday night's disclosure that a group, led by Mr Carl Icahn, had increased its stake to more than 13 per cent.

AMR gained $3⅞ to $104, also in very heavy trading, as arbitrageurs continued to adjust their positions in response to Mr Donald Trump's $120-a-share bid.

And Chevron rose another $1 to $84⅞ in response to renewed rumours about a possible restructuring.

Harcourt Brace Jovanovich was again one of Wall Street's worst performing shares, falling $⅞ to $8⅞ in heavy trading. The market was bitterly disappointed by the low price realised in last week's sale of the company's theme park business. The shares have fallen 60 per cent since they peaked at $18⅞ in August.

Canada

ADVANCES in New York continued to drive Toronto higher after a smaller-than-expected rise in US jobs, announced yesterday.

The composite index picked up 7.2 to 4,029.8 on volume of 15m shares. Advances led declines by 232 to 211, although the gold group fell sharply on the strong dollar.

BCE rose C$⅞ to C$43 after news of a joint venture with Carena Developments. Noranda declined C$⅝ to C$40⅞ on profit-taking after its C$1⅛ gain on Thursday.

EUROPE

Speculation replaces trepidation over rates

WITH Thursday's interest rate rises out of the way, speculative activity took over from earlier nervousness, *writes Our Markets Staff.*

PARIS ended higher, with the biggest gains coming in more speculative stocks. The OMF 50 index rose 6.65 to 536.45, giving it a 1.4 per cent gain over the week, and the opening CAC General index added 4.4 to 555.0. Volume was estimated to be below FFr3bn.

There was a 7.6 per cent drop in first half profits at Thomson-CSF, which trimmed the share price by FFr5 to FFr177.10, while a 47 per cent rise for Moulinex profits left it FFr2.20 higher at FFr162.90.

Activity elsewhere was rumour-driven, and one analyst thought the market was becoming frothy and a correction was overdue. Perrier climbed FFr64 to FFr1,999 as 100,000 shares, or 1 per cent of the equity capital, changed hands. Exor, which holds a direct share of 31.8 per cent, denied it was doing the buying. It rose FFr97 to FFr1,947.

Labinal, the electrical systems company, jumped FFr98 to FFr1,319 on talk of a possible restructuring of key shareholdings. Eurotunnel bounced up FFr2.05 to FFr60.75 and the warrants added 50 centimes to FFr5.15 as professionals took a bet on the stock having bottomed out.

Matra, the electronics company, was up FFr19.50 at FFr474 on expectations of big capital gains to be made when its telecommunications arm is floated later this month.

FRANKFURT came back into the big time, with turnover pushing DM6bn and a number of strong features. The FAZ index rose 5.95 to 684.38 for a 3.3 per cent gain on the week, and the DAX closed the day in parallel, with rises of 8.65 to 1,624.86, and 3.2 per cent, respectively.

Thursday's Bundesbank decision to raise discount and Lombard rates by a full point actually stimulated the market, because it removed speculation on future rate increases.

Deutsche Bank rose DM13.50 to DM701 on its prospects in a continued bull market. Meanwhile, the engineering group, MAN, gained DM23.50 to DM409.50 for a 12.3 per cent rise on the week as a senior banking house lifted its forecasts for the company.

Demand for stores was encouraged by the start of longer shopping hours in West Germany. Kaufhof rose DM12 to DM593 and Karstadt DM6 to DM667.

MILAN was not so happy, and its individual performers reflected the general mood. The Comit index fell 4.35 to 690.22, down 2.5 per cent on the week; and Enimont, which made its Italian debut at L1,590 last Tuesday, hit L1,610 last night as news spread that its L900bn to L1,000bn net profit forecast for the current year will have to be achieved in the face of a significant turn down in operating profits.

AMSTERDAM had a quietly firm end to the week. Publishers benefited from speculation about the long-term profits to be made from possible link-ups with broadcasting companies on commercial television ventures. VNU rose Fl 1.20 to Fl 111.20, Elsevier gained Fl 1.60 to Fl 80.10 and Wolters Kluwer added Fl 1 to Fl 48.10.

NMB, the bank, recovered Fl 3.50 to Fl 258.50 in a technical reaction to its weakness this week, which culminated in a drop of Fl 11.30 on Thursday. The CBS tendency index was up 1.2 at 197.9, a week's gain of 1.4 per cent.

ZURICH saw the Crédit Suisse index up another 4.3 in active trading to 656.2, for a 2 per cent rise on the week. Swissair, which said its August results "were clearly above budgeted expectations," rose SFr20 to SFr1,370.

MADRID ended a depressed week on a low note, amid disappointment over the round of rate rises in Europe. Although the Bank of Spain was not expected to follow suit, the move was thought to lessen the chances of a hoped-for cut in Spanish rates before the general election on October 29.

The general index was off 0.11 at 323.20, a fall of 0.7 per cent this week.

STOCKHOLM strengthened throughout the day to close higher after early losses. The Affärsvärlden General index added 4.2 to 1,294.4, for a gain over the week of 0.7 per cent.

Saab's restricted A shares gained SKr7 to SKr267 after news that it had won an order for three aircraft worth SKr150m from Air Vendée, a French regional airline.

COPENHAGEN gained further ground on a combination of foreign buying and expectations of a tax change. A newspaper report on the possible abolition of a law restricting banks to owning 30 per cent of each other's stock boosted banking shares.

BRUSSELS finished higher as the market recovered from earlier losses, which were prompted by a rise in the three-month Treasury certificate rate. The cash market index gained 80.77 to 6,700.32.

OSLO fell as the two leading banks that had announced their merger on Thursday were requoted. Bergen Bank declined NKr11 to NKr193 and DnC fell NKr12 to NKr122. The all-share index eased 1.92 to 530.91.

HELSINKI declined again, with the Unitas all-share index losing 3.3 to 677.6. The market fell every day this week, ending 2.8 per cent lower than the previous Friday.

VIENNA extended its run of record highs to 11, as the bourse index gained 4.15 to 532.75.

SOUTH AFRICA

A WEAK bullion price pulled gold shares lower in Johannesburg, as the broader market also fell under pressure from a stronger financial rand.

ASIA PACIFIC

Dollar's relentless rise hits Japan

Tokyo

THE ROUND of European interest rate increases and the resilience of the dollar sent the Nikkei average down sharply, but buying interest was buoyant in the second section which hit a record high, *writes Michiyo Nakamoto in Tokyo.*

The rise in interest rates triggered a rush of broad-based selling which saw the Nikkei plunge in early trading. After losing more than 470 points to the day's low of 35,051.07, the Nikkei later recovered, closing 313.64 lower at 35,209.35, down 1.2 per cent on the week. The day's high was 35,507.92. Declines outnumbered advances by 656 to 334 while 142 issues were unchanged.

Turnover fell to 737m shares from 910m on Thursday. The Topix index of all listed shares closed with a decline of 17.61 to 2,659.38.

However, the TSE index for all issues on the Tokyo second section climbed 52.33 points to a new high of 3,741.56 and, in London, the ISE/Nikkei index added 3.68 to 2,021.74.

The dollar's relentless rise was more disheartening than the interest rate increases. The West German move had been generally expected, even if the increase was at the high end of predictions. Investors do not expect the Bank of Japan to follow the Europeans' move, at least in the immediate future.

Japanese financial authorities have repeatedly stated that they see no urgent need for a rate rise in Japan. The market consensus was that the central bank would probably watch currency fluctuations before taking action.

In this connection, however, the strength of the dollar yesterday was worrying. Although the market has discounted an eventual rise in domestic interest rates, depending on the dollar rise, this could happen earlier than expected.

Heavily capitalised issues, sensitive to interest rates, were hard hit. Among losers in the financial sector were the Industrial Bank of Japan, which dropped Y90 to Y5,280.

Among steels and shipbuildings, Nippon Steel, second in volume terms with 12.7m shares, lost Y9 to a record low of Y717.

Fuji Photo Film led a rise in high-priced issues with good earnings. Fuji topped the volumes list with 22.5m shares and gained Y400 to Y5,280 on the strength of its low price/earnings ratio, its share price volatility and apparent prospects of a scrip issue.

Toyo Menka, the trading house which had attracted buying on takeover rumours, slipped Y1 to Y874 and was third in volume with 11.3m shares.

Osaka saw falls in interest rate-sensitive stocks. Buying of high-priced issues with good business performance lent the market some support and the OSE average trimmed its loss to 146.05, closing at 36,242.72. Volume dropped to 72m shares from the 82m traded on Thursday. Nintendo gained Y600 to Y13,700.

Roundup

THERE was little reaction to the European rate rises elsewhere in the region and most markets ended with solid weekly gains, the exceptions being Taipei and Seoul.

SINGAPORE picked up after a breather on Thursday, with strong gains in the property and shipyard sectors. The Straits Times industrial index gained 8.17 to 1,413.15, a rise of 2.8 per cent over the week. Turnover rose to 93m shares from Thursday's 83m.

Singapore Land gained 30 cents to S$14.10 on rumours that the Standard Chartered building could be sold to the Japanese for S$2,000 per sq ft. Hong Kong's Sir Y K Pao is said to be interested, too.

The company is also in initial talks to help develop a hotel and shopping complex in Moscow.

Shipyard stocks benefited from speculation about a rise in repair rates, with Keppel up 20 cents at S$5.90.

HONG KONG rose for a fourth day in active trading, with the focus on the commercial and industrial sectors. The Hang Seng index rose 23.04 to 2,826.21, a week's gain of 2.5 per cent, and turnover reached HK$1.4bn from Thursday's HK$995m.

AUSTRALIA held steady, the All Ordinaries index edging up 0.7 to 1,773.2 in modest trading, for a rise of 2 per cent this week.

MANILA burst ahead on foreign-led buying, with the composite index up 57.24 at 1,216.45, up 6 per cent this week.

TAIWAN recovered some ground after its 7 per cent drop over the previous two sessions, as investors took encouragement from the absence of a decision on the widening of daily price fluctuation limits from 5 per cent to 7 per cent.

However, the Securities and Exchange Commission announced after the market that the limit would be raised next Wednesday.

The weighted index rose 228.09 to 9,545.85, up nearly 2.5 per cent on the day, but down 8 per cent on the week.

SEOUL fell for a fourth day in slow trading dominated by concern about new stock, including that of Shinhan Bank, coming on to the market next week.

The composite index lost 2.26 to 922.85, down 2 per cent on the week.

Desire for stability unites investors and Bundesbank

Andrew Fisher examines West German prospects

THERE WAS something different about this week, both for investors and consumers, and it was not just the rise in West German interest rates which pulled most of Europe's central banks along in its wake.

What was really unusual were the lights in the shop windows and the bustle in the streets on Thursday night. For this was Germany's first long shopping day since the 1950s, a tentative step towards freeing people from tightly controlled shopping hours.

Foreign critics of Germany's economic efforts have long pointed to curbs on shopping times as a prime example of inflexibility. While it can hardly be said that the relaxation on one evening a week counts as significant liberalisation, it has been well received by the public.

What does this have to do with the stock market? After all, the surging growth in the domestic economy stems mainly from exports and capital investments. It was in order to ward off inflation at a time of faster-than-expected growth, much of it concentrated in the capital goods industries, that the Bundesbank lifted its discount and Lombard rates by a full point this week.

But the central bank was also looking ahead to two key developments in 1990 which will affect consumers and employees, namely the next round of wage talks and the DM24bn of tax cuts which will form the final stage in the Government's tax programme. Both will put more money in people's pockets, a fact that the central bank well knows.

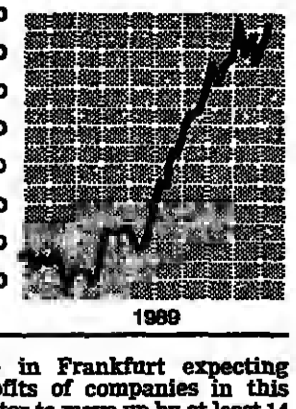
For consumer stocks quoted on German markets, the lights are thus set at green. What the Bundesbank was concerned about was the inflationary potential of this extra purchasing power. Having acted ahead of time, and with a full point rise in rates instead of half a point, it hopes to have nipped inflation, still only 3.1 per cent, in the bud.

Mr Karl Otto Pöhl, the Bundesbank's president, was concerned that the rate rises should be accepted as a clear indication of its policy, and lead to a consolidation on the financial markets and not to expectations of yet another increase. For the stock market, the message brought a measure of certainty: in fact, having been so widely heralded, the higher rates had already been widely discounted.

Although it was pure coincidence that the rate decisions and the longer shopping hours occurred on the same day, the link between the two events has not been lost on many investors. Consumer stocks are widely mentioned as next year's runners, with Citibank AG in Frankfurt expecting profits of companies in this sector to move up by at least 14 per cent next year after 13.5 per cent in 1989. For industry as a whole, it expects a 10 per cent rise in 1990 after 12 per cent this year.

West Germany

FAZ Aktien Index



Although private consumption has been modest this year, the Bundesbank said in its latest monthly report that any significant increase would cause inflationary tensions as a result of capacity bottlenecks. As an indication of what the Bundesbank had in mind, the report could hardly have been clearer. Shot through its descriptions of an overheating economy was the unspoken message that an interest rate rise must come soon.

Now that it is out of the way and markets can breathe again, share prices are expected to advance further. They have had a good run this year, as foreign investors, especially, have decided that Germany's buoyant economy and its steep rises in company profits offered scope for gains. The FAZ index, which began the year positively, was this week at the 680 level, a rise of about 20 per cent.

There has even been some takeover activity to whet appetites. The latest is the plan under which Preussag, the metals and energy concern, is to take control of Salzgitter, the state-owned steel producer, for a price expected to exceed DM2bn ($1bn). Allianz, the big insurance group, this week bought a 50 per cent stake in the insurance activities of Compagnie de Navigation Mixte of France while, in the reverse direction, Victoire said last month that it would link up with Colonia of Germany.

There have been other deals such as the purchase of a 10 per cent stake by Continental, the tyre group, in Kwik-Fit of the UK, or the 5 per cent holding acquired by the Mannesmann engineering and steel pipe concern in Britain's TI engineering group. While these may not be sensational, they show that German companies are trying to position themselves strategically for the wider, post-1992 internal EC market, and to meet increasingly global competition.

Since many German companies are already well placed to benefit from the unified market, the 1990s could see a further blossoming of earnings. To a large extent, this is already happening. As countries re-equip for the 1990s, demand for German goods has soared. The mounting trade surpluses are predominantly with European countries such as Spain, the UK and Italy.

But these countries, together with France, have also kept their currencies firm, to combat inflation and for political reasons. So Germany has had to act through interest rates to try to strengthen the D-Mark and dampen export demand rather than relying on the appreciation of its own currency. The Bundesbank's problems are not necessarily those of the stock market. But both have an interest in stability and confidence, and this week seems, for the moment at least, to have brought reassurance to investors.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 5 1989						WEDNESDAY OCTOBER 4 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	158.93	+0.0	146.36	135.94	-0.1	4.86	158.93	146.86	136.10	159.02	128.28	137.80
Austria (19)	166.23	+2.6	153.08	162.24	+2.1	1.51	163.03	150.65	158.94	166.23	92.84	88.54
Belgium (63)	142.37	+0.1	131.10	139.39	+0.5	3.97	142.16	131.38	138.67	144.47	125.58	123.04
Canada (122)	153.89	+0.2	141.71	130.94	+0.2	3.14	153.65	141.98	130.73	153.89	124.67	121.09
Denmark (38)	199.64	+0.3	183.84	199.57	+0.8	1.59	199.09	183.96	197.94	219.89	165.35	133.25
Finland (26)	124.98	+0.1	115.09	111.63	-0.3	2.48	124.86	115.37	111.94	159.16	123.12	114.11
France (126)	138.22	+0.1	127.29	138.55	+0.4	2.72	138.13	127.64	138.02	139.67	112.57	100.06
West Germany (97)	102.50	-0.5	94.39	100.48	-0.1	2.04	103.06	95.23	100.59	103.06	79.58	79.94
Hong Kong (46)	118.44	+0.2	109.07	118.66	+0.2	4.76	118.21	109.23	118.40	140.33	86.41	99.39
Ireland (17)	162.33	+0.2	149.48	161.19	+0.2	2.75	162.04	149.73	160.91	166.69	125.00	134.96
Italy (97)	92.32	-1.1	85.01	95.15	-0.7	2.40	93.36	86.27	95.80	96.73	74.97	76.28
Japan (455)	185.27	-1.2	170.60	166.65	-0.3	0.48	187.44	173.20	167.12	200.11	164.22	157.48
Malaysia (36)	207.77	+0.4	191.32	215.13	+0.3	2.46	206.88	191.16	214.57	207.77	143.35	131.76
Mexico (13)	312.52	+1.0	287.79	886.70	+1.0	0.57	309.51	285.99	877.31	321.99	153.32	154.88
Netherland (43)	131.24	-0.2	120.85	127.46	+0.1	4.16	131.51	121.52	127.28	131.51	110.63	102.63
New Zealand (19)	82.11	-0.6	75.61	74.97	-1.0	4.58	82.62	76.34	75.70	88.19	82.64	70.76
Norway (24)	184.00	-0.7	169.44	174.07	-0.3	1.49	185.22	171.15	174.66	198.39	139.92	114.64
Singapore (26)	166.00	+0.6	152.87	149.97	+0.3	1.96	164.93	152.40	149.50	170.62	124.57	114.98
South Africa (60)	157.74	-0.2	145.26	134.43	-0.4	4.27	158.10	146.08	134.99	160.24	115.35	107.61
Spain (43)	165.67	-1.0	152.56	150.36	-0.4	3.47	167.33	154.62	150.98	169.75	143.14	140.96
Sweden (35)	182.30	-0.4	167.88	174.48	-0.1	1.96	182.97	169.07	174.57	188.94	138.45	123.27
Switzerland (64)	92.01	+0.7	84.73	93.32	+1.3	2.02	91.33	84.39	92.12	94.16	67.81	77.78
United Kingdom (306)	150.93	-1.1	138.99	138.99	-1.4	4.35	152.54	140.95	140.95	158.41	133.28	129.81
USA (547)	146.14	+0.1	133.66	145.14	+0.1	3.17	145.07	134.05	145.07	145.14	112.13	111.37
Europe (996)	130.92	-0.6	120.56	125.01	-0.5	3.36	131.71	121.70	125.65	132.95	112.63	106.61
Nordic (121)	168.07	-0.1	154.77	156.92	+0.2	1.31	168.30	155.51	156.57	178.38	137.95	115.51
Pacific Basin (669)	181.71	-1.1	167.33	163.57	-0.3	0.72	183.70	169.75	164.01	194.72	160.44	154.36
Euro-Pacific (1665)	161.52	-0.9	148.73	148.06	-0.3	1.59	163.02	150.64	148.56	166.98	141.56	135.29
North America (669)	145.56	+0.1	134.04	144.25	+0.1	3.17	145.46	134.43	144.17	145.56	112.79	111.88
Europe Ex. UK (690)	117.78	-0.3	108.46	116.27	+0.1	2.66	118.11	109.13	116.12	118.19	96.30	92.08
Pacific Ex. Japan (214)	138.85	+0.1	127.86	124.89	+0.0	4.52	138.74	128.20	124.94	138.85	111.93	116.71
World Ex. US (1860)	161.31	-0.9	148.54	147.61	-0.3	1.67	162.74	150.38	148.10	166.35	141.49	134.54
World Ex. UK (2101)	154.80	-0.5	142.55	147.47	-0.1	1.95	155.63	143.80	147.60	156.04	138.96	125.09
World Ex. So. Af. (2347)	154.42	-0.6	142.20	146.75	-0.2	2.15	155.32	143.52	147.05	155.92	136.67	125.60
World Ex. Japan (1952)	140.06	-0.2	128.99	136.71	-0.2	3.30	140.33	129.66	136.91	140.33	114.51	110.21
The World Index (2407)	154.44	-0.6	142.22	146.66	-0.2	2.16	155.34	143.53	146.96	155.89	136.68	125.49

Latest prices were unavailable for this edition.
Constituent change 6/10/89: Name change: Bristol Myers to Bristol Myers Squibb (US).

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's *highest* and *lowest dealings*.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the *International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.*

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks No. of bargains included 2

Greater London Council 6¾% Stk 90/92 – £87

Birmingham Corp 3½% Stk 1946(or after) – £30 (2Oc89)

UK Public Boards No. of bargains included nil

Commonwealth-Government

Foreign Stocks, Bonds, etc-(coupons payable in London)

Sterling Issues by Overseas Borrowers

Banks and Discount Companies

Breweries and Distilleries

Commercial, Industrial, etc

Financial Trusts, Land, etc

Unit Trusts

Mines – Miscellaneous

Mines – South African

Oil

Property

Insurance

Investment Trusts

Shipping

Utilities

Water Works

Miscellaneous Warrants

USM Appendix

The Third Market Appendix

Rule 535(2)

Plantations

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Great Victoria Gold $A0.16(29/9)
Haw Par Bros Int (Singapore Reg) S$2.920824,S$2.9628
Hexcel Corp $22.125♦(2/10)
Highveld Steel & Vanadium R18.75
Idaho Power Co $27.0786♦(2/10)
Kollmorgen Corp $17.18♦(29/9)
Kulim Malaysia Ord 35(4/10)
Kulim Malaysia Ord (Malay Reg) $M1.82
Malaysian Airline System $M10.6465,10.77288,10.82133
Malaysian Plantations $M1.93
McCarthy Group R17.15(3/10)
Meridian Oil 3(4/10)
Mid-East Minerals 54(29/9)
Murray & Roberts Hldgs R23
National Electronics (Consolidated) 4(3/10)
National Fuel Gas Co £15.51831♦(3/10)
Nicron Resources $A0.64,0.648♦(4/10)
Nixdorf Computers AG Prf shs DM388,389
Noranda Inc $22.925, $C26.95333♦
North Flinders Mines $A2.1974
Oil Search 35
Overseas Chinese Banking Corp S$9.54522
Palabora Mining $15.45(4/10)
Parker-Hannifin Corp £18(29/9)
Pechiney Ugine Kuhlmann FR368,370,370.72,370.726,369.07(29/9)
Portman Mining 1
Range Resources $A0.08143(2/10)
Selangor Coconuts $M2.4
Sky Line Explorin £1.9(4/10)
Southwest Gold Mines $A0.22288(3/10)
Strategic Minerals Corp $A0.55(4/10)
United Overseas Land S$2.13,2.14171♦(3/10)
Victoria Petroleum 7.5
Vultan Minerals $A0.388(3/10)
Westfield Minerals 69(3/10)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Equity sector recovers early losses

A DIFFICULT week's trading in the UK stock market closed on a slightly more stable note yesterday as London took heart from a generally positive response on other European bourses to the round of interest rate increases which followed the Bundesbank's move on Thursday. Early losses in the UK market were largely recouped by the close when trading was featured by a burst of speculative activity in many old favourites, as well as some new ones.

The early part of the session saw substantial turnover in equities as investors began to formulate their response to the move to 15 per cent base rates in the UK. There was further selling of domestically-orientated stocks and the Footsie extended Thursday's fall by a further 31 points in the opening moments of the new session.

However, cash then began to move into good quality shares with overseas earnings, which were seen as relatively resistant to the worst effects of high interest rates at home. The rally was helped by a buy programme of blue chips stocks worth about £50m, operated by a leading US investment bank.

A good recovery had already been established when Wall Street opened strongly and widespread, if not always widely-believed, stories of foreign bid interest overflowed from Jaguar, BTR and Saatchi & Saatchi across the rest of the London equity sector.

By the close, the FT-SE Index had reduced its loss on the day to 4.1 points, for a reading of 2,277.5. Over the week, the opening leg of the equity trading account, the Footsie has lost 21.9 points or just under 1 per cent.

The early part of the week saw equities steadying as sterling held its ground. Although the timing of Thursday's increase of a full point in UK base rates caught some traders wrong-footed, the threat of higher interest rates had already depressed share prices in the previous week, when the market was hit by news of a £2bn UK trade deficit for August.

Equities were also helped yesterday by a rally in the pound from some early weakness. Nervousness over sterling has prompted suggestions from some analysts that domestic base rates could be forced even higher. However, ths economics team at Warburg Securities said: "15 per cent should be ths top of the 1988/89 monetary tightening."

Seaq volume rose to 505.5m shares from the 491.4m of the previous session. There was heavy trading in US-related stocks, especially those where bid speculation provided the driving force. A sharp rise in BAT Industries against the market trend was ascribed to the genuine investment attractions of its overseas earnings pattern rather than to the take-over/demerger excitement of the past few months.

Account Dealing Dates

First Dealings:	Sep 18	Oct 2	Oct 16
Option Declarations:	Sep 28	Oct 12	Oct 26
Last Dealings:	Sep 29	Oct 13	Oct 27
Account Day:	Oct 9	Oct 23	Nov 6

*New time dealings may take place from 9.00 am two business days earlier

FINANCIAL TIMES STOCK INDICES

	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.61	84.14	84.15	84.53	84.51	88.74	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.21	95.01	95.09	95.18	95.20	96.87	99.59 (16/3)	95.01 (5/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1857.8	1866.2	1890.2	1899.3	1876.9	1490.4	2008.8 (5/9)	1447.8 (3/1)	2008.8 (5/9/89)	49.4 (26/6/40)
Gold Mines	208.0	209.2	209.4	208.9	211.9	176.9	215.2 (28/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2277.5	2281.8	2312.1	2318.6	2289.2	1844.7	2426.0 (5/9)	1782.8 (3/1)	2443.4 (18/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.40	4.38	4.32	4.30	4.35	4.64				
Earning Yld %(full)	10.57	10.53	10.36	10.30	10.42	11.71				
P/E Ratio(Net)(☆)	11.40	11.44	11.63	11.70	11.57	10.35				
SEAQ Bargains(5pm)	27,459	25,078	25,109	25,348	22,633	25,165				
Equity Turnover(£m)†	-	924.67	955.73	882.62	635.78	1534.29				
Equity Bargains†	-	24,683	25,479	25,096	23,688	24,328				
Shares Traded (ml)†	-	406.0	410.8	409.1	272.8	492.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.30

Ordinary Share Index, Hourly changes — Day's High 1858.1 — Day's Low 1831.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1840.6	1839.3	1846.6	1844.6	1848.6	1852.5	1849.2	1856.1

FT-SE, Hourly changes — Day's High 2278.0 — Day's Low 2249.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2259.7	2256.9	2264.0	2265.1	2269.3	2273.7	2270.8	2276.8

S.E. ACTIVITY

Indices	Oct 5	Oct 4
Gilt Edged Bargains	86.9	62.0
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5 – Day average		
Gilt Edged Bargains	81.7	80.6
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001.

Heavy trade in Saatchi

A rising tide of speculation buoyed Saatchi and Saatchi, the international advertising agency, which attracted heavy turnover throughout the session. Trading volume was an exceptionally high 10m shares.

Trading on Wall Street continued in a similar vein after London closed, with the addition of a suggestion that South-Eastern Asset Management was about to pass on its 10 per cent stake. The ADRs (American Depositary Receipts) were active in New York, while the ordinary shares ended in London 40 better at 348p, having touched 346p.

Of at least half-a-dozen suggested reasons for the share activity, analysts and dealers focused on the possibility that Swiss employment agency, Adia, might try to buy Hay, Saatchi's management consultancy, or Gartner, its information technology consultancy. It was thought less likely that Adia would try to buy the whole company, and after the market closed, Adia denied buying any Saatchi shares.

Other suggestions in the market included a possible management buy-out, but this was dismissed as "an old chestnut" by dealers. In conflict with New York reports, some London sources suggested buying by Tennessee-based South Eastern Asset Management. "It's not their style, they wouldn't ramp the price like this," said one marketmaker.

There was also talk that bids might come from two ex-employees, namely Mr Bob Jacoby, ousted from Ted Bates shortly after its acquisition by Saatchi, and Mr Martin Sorrell, formerly Saatchi's finance director, who now runs WPP.

Dealers said both were unlikely, adding that buying interest had come from Europe and the US, while selling had come from UK and Japanese institutions.

Morgan again active

The substantial speculation surrounding Morgan Grenfell, the merchant bank, continued throughout yesterday's session with Thursday's stories of the Willis Faber stake changing hands at 440p a share exchanged for a story that a management buy-out at 500p a share, was imminent. But this story, too, was refuted by Morgan Grenfell.

Morgan Grenfell shares opened at 380p yesterday compared with 362p in late dealings in the previous session. They jumped to 395p with dealers reporting a fresh wave of buying from speculative sources. This level was held until just before the close when the shares took another run to finish at 412p, up 13 on the previous day's official closing level.

Dealers, perplexed by official Morgan/Willis Faber denials of any merger/bid discussions, continued to point to the weight of buying in the stock and the absence of any substantial selling of the shares originally floated on the stock market at 500p a share in 1986.

Recent speculation as to possible bidders for Morgan Grenfell has included names such as Barclays Bank, Lloyds Bank, Credit Suisse, Credit Lyonnais and Deutsche Bank, among others. Willis Faber shares dipped 3 to 252p.

Jaguar wanted

Jaguar shares soared on speculation in the US that Ford Motor, which has said it wants to acquire a stake in the British luxury car maker, might not have to wait for the 30 days stipulated under the US Hart-Scott-Rodino Act before acquiring its stake.

Although analysts were unconvinced by the suggestions that the 30 day rule could be waived for any one company, Ford revealed, after the close of the London market, that it had received clearance to begin buying up to 15 per cent of Jaguar shares.

The shares had advanced to 731p, a further gain of 62 on the day, in heavy trade. Some 13m shares changed hands, including two individual trades of 1¼m shares each.

Jaguar was also the most active counter on the options market with around 2,500 option contracts traded, the equivalent of 2.5m shares.

BP were a shade easier at 301¾p on turnover of 3.4m with the market picking up vague rumours late in the session linking BP with talk of a possible bid for Chevron, one of the US oil giants. A BP rights issue was also mentioned.

Chevron stock has risen sharply – around $8 during the week on speculation that a stake is being built in the company, one of the so-called "Seven Sisters." But oil sector specialists in London, although not dismissing the story out of hand, said they thought the UK oil group would not move to make a substantial US acquisition until next year.

In recommending a "defensive stance" in the oil and gas sector, the oil team at Citicorp Scrimgeour Vickers expects "$15 Brent in a month or two – a long way from the present $18.50 and contrary to the market view." The Citicorp team says: "Oil supply is growing, demand is vulnerable and stocks, although not high at present, will keep climbing from here."

"British Gas is both safer and cheaper than BP or Shell, has the highest prospective yield in the sector and is only marginally affected by oil price weakness." Looking at BP and Shell, the analysts say the former is "considerably more geared to oil prices and looks far more vulnerable than Shell."

Enterprise's cash mountain was said to have been behind the good rally in the shares, which closed 9 ahead at 588p.

BTR moved strongly ahead on speculation that Kohlberg Kravis Roberts, the US leveraged buy-out specialist, was about to begin buying its targeted 15 per cent stake. However, traders were uncertain about the accuracy of such talk.

But before BTR's shares had time to retreat, further speculation swept the market that a dawn raid was planned for Monday, though this time KKR's name was not mentioned. BTR closed up 15 at 462p. Food retailers continued to mark time, though some analysts said that as a defensive sector, it might benefit from any economic slowdown which followed the recent rise in interest rates.

Asda dropped 3 to 174p after analysts at County NatWest WoodMac downgraded their profit forecast for this year to £225m from £243m. Mr David Shriver, of County, said the main reason for the downgrading was that Asda would not start to see the benefits from the likely acquisition of 61 superstores from Gateway until 1992.

"Initially, the incremental trading profits from the purchase will be wiped out by interest costs. But by 1992 their will be a significant bounce-back in profits," he said.

Despite the downgrading, Asda closed above its lows as bid speculation continued. Elsewhere, the food retailers lost little ground compared to the rest of the market. Sainsbury closed down 1 at 265p, Tesco eased 2 to 193p and the Argyll Group finished off 1 at 221p.

Stores continued to reel from Thursday's interest rates blow. Hard hit were Next, in the wake of Thursday's profit figures, and Burton, both seen as being particularly vulnerable to falling consumer spending. Next shed 4 to 101p, after 99p, while Burton ended 9 off at 213p. Volume in the latter was particularly strong at 4.7m shares.

Dixons weakened 3 to 131p as Goldman Sachs reinforced its sell recommendation and cut its forecast for current year profits from £60m to £50m. Mr Paul Deacon, at Goldman, said that Dixons UK retail operation would not make a profit this year.

Lowndes Queensway found a level after Thursday's 25 per cent fall to 17½p. Yesterday it closed at 17¾p.

Guinness weakened initially with the market as dealers lightened their holdings. But positive press comment on Thursday's good figures prompted one or two to buy again at lower levels, triggering a rapid reversal of sentiment; marketmakers bought stock from each other creating a bear squeeze which lasted all day. The shares closed 25 better on firm if unexceptional volume.

Scottish & Newcastle were stimulated by suggestions that Elders IXL had placed all or part of its 23.6 per cent stake in the company at 450p a share to a consortium of Bass and Anheuser of the US. Dealers were sceptical, and the shares retreated from their high of 380p to close a net 14 better at 375p.

GrandMet failed to recover from wider market weakness as dealers waited for news of the possible disposal of its brewing arm. The shares ended 12 down on 585p.

Sports-shoe maker Hi-Tec disappointed with a profit fall of almost 25 per cent. The shares dipped 7 to 105p.

Scottish TV firmed a penny to 491p after posting an 89 per cent increase in interim profits.

Apart from Jaguar, motors remained dull, with components particularly weak. GKN was down 11 at 412p, T&N dropped 4 to 207p, and BBA were down 6 at 193p. Mr John Goldschmidt, analyst at Charterhouse Tilney said: "The weakness in the auto components sector is a knee jerk reaction to the announcement that UK September car sales figures had fallen by 10 per cent. This was exacerbated by fears of what the rise in base rates will do for the future demand of cars against e background of a worsening industrial relations climate."

Ferranti, re-quoted on Tuesday, again topped the turnover league with 17m shares traded. Once more this led dealers to believe stories that near disclosable stakes have been accumculated over the past few days. Ferranti shares were 1½ higher at 59p, having been re-quoted at 48p earlier in the week, compared with the 73½p pre-suspension price.

In one of the markets most remarkable performances Ross Consumer Electronics rocketed from 46p to 187p after the company announced a £1.2m rights issue at a deeply discounted 28p a share along with several board changes.

Standard Chartered rose 3 to 526p after confirmation of the joint venture with Westdeutsche Landesbank.

A growing feeling among specialists that Australian Mutual Provident will have to pay at least 675p and probably as much as 700p a share to have any chance of success in their bid for Pearl Group, saw the Pearl share price advance 7 to 648p.

The other lifes, bowever, slipped back on profit-taking. London & Manchester, one of the other bid favourites in lifes, lost 4 to 314p. Worries about the impact of the latest interest rate rise on its estate agency businesses hit Prudential, which ran back 3 to 192p. Legal & General, in spite of widespread support for the shares among the stockbroking community, eased the same amount to 362p.

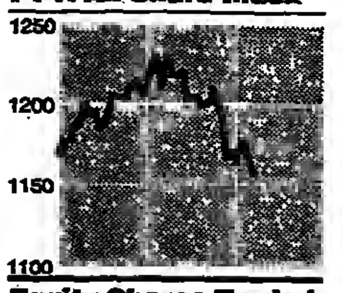
Sun Life rose 23 to 1113p albeit in painfully thin trading. Dealers said the shares responded to reports that the company could be the next life group to ettract a full bid and that Transatlantic, the UK subsidiary of South Africa's Liberty Life, could be about to sell on its 29.8 per cent stake to UAP, the French insurance group

The composite insurers featured Royal which jumped 8 to 462p

Dalgety closed up 6 at 424p on bid speculation. But after ths market closed news emerged that Como International, the investment vehicle set-up by Robert Holmes à Court and Societe Nationale Elf Acquitaine, had lowered its holding in Dalgety to below 5 per cent.

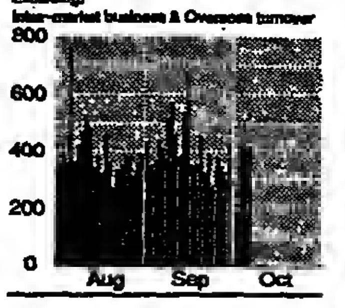
■ Othsr market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 15

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (15). LOANS (1) AMERICANS (4) ELECTRICALS (1) FOODS (1) INDUSTRIALS (1) [illegible] NEW LOWS [illegible]. BRITISH FUNDS (15) LOANS (4) CANADIANS (1) BANKS (3) BUILDINGS (18) CHEMICALS (4) STORES (16) ELECTRICALS (17) ENGINEERING (9) FOODS (3) HOTELS (3) INDUSTRIALS (46) ASD, Do. 8pc Cv. Pf., Aaronson Bros., Apollo Watch Prods., Assoc. Energy, Avon Rubber, BLP, Beaverco, Beazer, Benlox, Bestwood, Bodycote Int'l., Brit. Bloodstock, Business Tech Grp., CMB, [illegible] Quotient, Select Appo., Sheldon Jones, TLS Range, Tubular Edibs., Walter Greenbank, West Inds., Whittington, Williams 8pc Cv. Pf., Worcester, Yale & Valor, LEISURE (3) MOTORS (14) NEWSPAPERS (1) PAPERS (11) PROPERTY (16) SHOES (1) TEXTILES (5) TRANSPORT (3) TRUSTS (13) OILS (3) MINES (3) THIRD MARKET (1).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	90	11	3	287	170	64
Corps, Dom. & Foreign Bonds	11	10	20	52	33	120
Industrials	180	818	597	1,469	3,056	3,433
Financial and Props	81	310	281	630	1,123	1,595
Oils	22	39	33	127	182	177
Plantations	0	3	3	4	6	45
Mines	30	51	92	199	225	443
Others	60	85	122	436	323	508
Totals	484	1,325	1,156	3,216	5,096	6,385

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	6,400	174	-3	Courtaulds	1,100	355	-11	LASMO	1,000	503	+1	Saatchi & Saatchi	10,000	348	+40
Abbey National	2,600	148		Dalgety	395	424	+6	Lonrho	744	273	+3	Sainsbury	1,400	265	-1
Allied-Lyons	2,200	515	+1	Dixons	1,300	131	-3	Lucas	841	657	-1	Scott & Newcastle	4,650	375	+14
Amstrad	4,150	64	+3	Eng. China Clays	1,400	442		MB Group	752	288	-3	Sears	3,900	114	
Argyll Group	2,500	221	-1	Enterprise Oil	596	588	+9	MEPC	1,000	538	-4	Sedgwick	825	267	-7
Ass. Brit. Foods	595	403	+3	Fisons	2,900	338	+5	Marks & Spencer	4,100	189½	-2½	Shell Transport	2,300	435½	+1
BAA	1,700	340		General Accident	1,300	1053	-6	Maxwell Comm.	1,100	205	-1	Siebe	973	507	+7
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Airways	4,400	208½	-1½	Harrisons & Cros.	2,100	159	-2	RMC	679	897	-14	Taylor Woodrow	762	365	-5
British Gas	5,300	207½	-1	Hawker Siddeley	1,375	667	-6	RTZ	1,300	539	-2	Tesco	3,700	193	-2
British Land	417	356	-1	Hillsdown Hldgs	2,300	295	-2	Racal	5,000	249	+10	THORN EMI	2,400	808	+9
BP	3,300	301¾	-¾	IMI	2,200	227	+3	Rank Org.	478	805	-22	Trafalgar House	2,900	355	-13
British Steel	9,500	132¼	-1	Imp. Chem.	1,000	1197	-14	Reckitt & Colman	224	1151	-2	Trusthouse Forte	1,700	322	-2
British Telecom	4,900	264½	-2½	Inchcape	194	270	-1	Redland	708	530	-4	Ultramar	1,000	321	-2
Burmah Oil	362	601	-4	Jaguar	13,000	731	+62	Reed International	2,800	406	-9	Unilever	1,700	640	+6
Burton	4,650	213	-9	Kingfisher	4,900	302	-8	Reuters	2,400	944	+8	United Biscuits	1,800	372	-1
Cable & Wireless	2,000	555		Ladbroke	2,400	321	-5	Rolls-Royce	1,600	179	+¼	Utd. Newspapers	577	460	-8
Cadbury Schweppes	2,900	392	-5	Land Securities	1,300	545	-4	Rothmans	543	643	+10	Wellcome	1,200	637	-10
Carlton Comms.	3,300	864	-1	Laporte	84	473		Royal Bk of Scotland	1,100	174		Whitbread "A"	714	364	-1
Commercial Union	1,100	457		Legal & General	1,600	362	-3	Royal Insurance	1,600	462	+7	Williams Hldgs.	880	242	-4
Cookson	1,800	326	+5	Lloyds Bank	995	386	+1	STC	2,300	329	-2	Wimpey	865	246	-5

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday October 5 1989

Agencies	+	49.72	Mining Finance	+	22.79
Motors	+	44.23	Insurance(Composite)	+	22.72
Health & Household Products	+	39.40	Transport	+	22.56
Food Retailing	+	35.95	Chemicals	+	21.61
Investment Trusts	+	34.84	Capital Goods	+	20.59
Other Industrial Materials	+	32.47	Textiles	+	20.38
Insurance(Life)	+	32.06	Banks	+	20.10
Brewers and Distillers	+	31.82	Electricals	+	18.77
Merchant Banks	+	30.88	Stores	+	18.32
Conglomerates	+	30.41	Financial Group	+	17.50
Other Groups	+	29.67	Building Materials	+	17.25
Gold Mines Index	+	29.22	Electronics	+	16.27
Consumer Group	+	27.50	Insurance(Brokers)	+	14.47
Leisure	+	26.43	Telephone Networks	+	12.72
Oil & Gas	+	26.30	Publishing & Printing	+	12.38
Industrial Group	+	26.22	Packaging & Paper	+	9.89
500 Share Index	+	26.20	Overseas Traders	+	9.65
All Share Index	+	24.87	Metals & Metal Forming	+	7.37
Food Manufacturing	+	23.86	Property	+	8.77
Mechanical Engineering	+	23.65	Contracting,Construction	+	3.10

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-07	+19/32	11.76	11.75	11.17
		9.750	1/98	95-12	+20/32	10.80	10.87	10.34
		9.000	10/08	95-14	+19/32	9.52	8.63	9.36
US TREASURY *		8.000	8/99	99-23	+18/32	8.04	8.35	8.20
		8.125	8/19	101-04	+29/32	8.02	8.28	8.14
JAPAN	No 111	4.600	6/98	95.7459	-0.083	5.32	5.16	5.24
	No 2	5.700	3/07	105.2491	+0.192	5.13	5.13	5.10
GERMANY		8.750	6/99	98.4000	+0.150	6.98	7.02	6.87
FRANCE	BTAN	8.000	7/94	95.8328	+0.638	9.10	9.09	8.88
	OAT	8.125	5/99	96.0400	+0.720	8.73	6.83	8.45
CANADA *		9.500	10/98	99.9000	+1.225	9.52	8.61	6.50
NETHERLANDS		7.250	7/99	99.1800	+0.230	7.37	7.37	7.17
AUSTRALIA		12.000	7/99	91.1891	+0.450	13.65	13.68	12.92

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Brazil casts shadow over coffee talks

BRAZIL CAST a lengthening shadow over the International Coffee Organisation's annual meeting during the past fortnight as its determined opposition to renewed export controls helped to push prices to 14-year lows.

While other exporting countries' delegates were claiming to discern "political will and a constructive spirit" in talks aimed at preparing the ground for the reactivetion of the International Coffee Agreement, the teeth of which were drawn this summer when it was forced to abandon its export quota system, Mr Jorio Dauster, president of the Brazilian Coffee Institute, was giving a clear "thumbs down" to the prospect of reviving the pact.

Mr Dauster, who did not bother to attend the first week of the talks, made it clear on Tuesday that the world's biggest coffee producer was more interested in rebuilding market share than in restoring coffee prices by means of negotiated export controls. Since the agreement came into being in the early 1960s Brazil's share of the world market has shrunk from 38 per cent to about 24 per cent. With the return of the free market it is now intent on regaining its former dominance.

On Thursday night delegates resolved to: prepare the way for a resumption of negotiations for a new pact; seek the accession of non-members; continue intensive consultations on resolving problems encountered in the present agreement; and request the chairman of the International Coffee Organisation's council to convene a fresh negotiating session as soon as he finds that a broad consensus exists. But the London coffee dealers remained more impressed by Mr Dauster's earlier statement that he saw no return of export quotas in the near term, and prices continued to slide. The January futures position declined another £26 yesterday to £658 a tonne, down £110 on the week.

Cocoa prices finished marginally highsr after a quiet week. The main news concerned the setting of the Ivory Coast's export price minimum by Caistab, the country's marketing Board. At £700 a tonne this is a little below the present world market level and at the upper end of the range suggested by traders following the recent announcement of reduced producer prices – 200 CFA Francs (38p) a kilogram, down from Fr400 for the last main crop and Fr250 for the mid-crop.

The move marked the abandonment of the country's attempt to buck the market in the interest of maintaining producer returns and thus ensuring political stability. That policy, though apparently successful for a while, had clearly become insupportable and had helped to drive the Ivorian economy into yet another crisis as the heavily oversupplied world market remained well below the Ivory Coast's self-imposed high costs.

On the London Metal Exchange the biggest movement was cash nickel's $480 fall to an 19-month low of $480 a tonne. In the absence of fresh fundamental factors dealers attributed ths continusd decline to merchant selling, slack demand and a resulting easing in the supply situation. At 4,938 tonnes stocks in LME warehouses are far from copious but they are well above this year's low of 1,518 tonnes set in June. Nevertheless the cash price remained at a premium of $207.50 a tonne (down from $275 at the end of last week) indicating continuing concern about the stock level.

In contrast the cash copper price recovered most of last week's lost ground while remaining at a small discount to the three months position. Stocks of copper had recovered recently before being trimmed back by 6,425 tonnes last week to 104,275 tonne. Talk of a possible 15,000 tonnes rise this week being announced on Monday sent prices lower yesterday morning, but later most traders agreed that an unchanged figure, or even a slight fall, was more likely and prices rallied. The cash quotation ended the day £33.50 higher at £1,822 a tonne, up £72.50 on the week.

A very big fall in LME aluminium stocks last week – down 18,725 tonnes to 63,675 tonnes – was explained away on Monday as resulting from precautionary covering following the closure of Alumax's Mount Holly smelter in South Carolina because of hurricane damage. But the market built on last week's strength until being trimmed back slightly yesterday against the background of talk of rising LME and producer stocks. The cash price ended the week $38.50 np on balance at $1,802.50 a tonne.

A forecast LME stocks rise was also given as the explanation for yesterday's $15 fall in the cash zinc price, which ended $40 down on the week at $1,605 a tonne. Traders said the stocks figure could rise by between 2,000 and 6,000 tonnes.

Lead drifted lower yesterday until meeting fresh demand for cash metal.

APPOINTMENTS

Changes at Hi-Tec Sports

■ Mr Jeroen Schothorst, managing director of Beheermaatschappij Cofex, has been appointed to the board of HI-TEC SPORTS where he will be group sportswear director. Mr Alan Wainwright has become group marketing director of Hi-Tec Sports. Mr Paul Possamai is made international sales director of Hi-Tec Sports, while Mr Pierre Hermans is appointed UK managing director of Hi-Tec Sports (UK) and director of Hi-Tec Sports.

■ At PRIEST MARIANS HOLDINGS Mr Adrian Sayer is made a director of Priest Marians (Langham Estate) and Priest Marians Property Management.

■ Mr Charles Manners, formerly an associate director in fixed income sales at Chase Investment Bank, is joining KIDDER, PEABODY SECURITIES as vice-president of fixed income sales.

■ Mr Andrew Lindsey has been appointed managing director of HENRY BOOTH (HULL), the ticket printer. He succeeds Mr Rodger Booth who is to move to the Derby HQ to become director of all Bemrose UK operations on the retirement of Mr Peter Brewin early in 1990.

■ TOZER KEMSLEY & MILLBOURN (HOLDINGS) has appointed Mr M. Rourke and Mr L.C.J. Taylor as executive directors. Mr Rourke will assume responsibility for vehicle import concession activities in the UK, Eire and

MOUNTLEIGH GROUP has appointed Mr Nicolas Baybutt (above) as a director of Mountleigh Developments. He joins Mountleigh from Savills where he spent the last three years in the firm's Docklands and West End offices.

Australia. Mr Taylor takes responsibility for all UK motor retail and car rental activities. Mr G. Harrison has resigned as a non-executive director.

■ Dr Kurt Bienert is to be appointed financial director of VARTA. He joins from Varta's central administration team in West Germany.

■ Mr John Smithson, formerly managing director of Northern Enterprise Management, has become s director of FRASER & PARTNERS.

■ Mr Andrew Smith has been made group company secretary at TARMAC. He succeeds Mr Geoff Turner who is retiring. Mr Smith joins Tarmac from Birmid Qualcast where he was group company secretary.

■ Mr Alan Roberts has been appointed director, treasury and financial analysis, European credit operations, FORD OF EUROPE INC. Mr Robert C. Brady becomes treasurer, European credit operations.

■ At a board meeting of the WACE GROUP Mr Brian Dudley was made group finance director. He was group finance director of Hunter Saphir.

■ CITY OF WESTMINSTER ASSURANCE has appointed Mr James Tuley as actuary. This is in addition to his responsibilities as head of actuarial services.

■ Dr Neil M. Coutts has been appointed to the board of ELECTROCOMPONENTS. He joined the group as managing director of RS Components in December 1988.

■ Mr John Morgan has been appointed a director of LOMBARD NORTH CENTRAL, the finance house subsidiary of National Westminster Bank. He continues as managing director, Lombard Tricity Finance.

Mr David Oliver is made a director of Lombard NatWest Commercial Services in addition to his present role of assistant director, credit control, Lombard North Central.

Mr Malcolm Turner has become a director of Lombard Tricity Finance while continuing as deputy director, credit finance, Lombard North Central.

■ Mr Sandy Robertson has joined STORE DESIGN, a division of Havelock Europa, as managing director.

■ Mr Paul A. Gismondi has been appointed managing director, international capital markets, at

Mr Brian Markeson (above) has been appointed financial director of the SHIELD GROUP. His role will include financial planning and management throughout the group.

MANUFACTURERS HANOVER. He is responsible for the bank's investment banking activities for Asian clients.

■ Mr Brian Armstrong, a director, has been made managing director of CARR'S MILLING INDUSTRIES from November 1. Mr Ian Carr, presently executive chairman, becomes non-executive chairman.

■ Following the recent increase in the shareholding of DAS Deutscher Automobil Schutz (DAS Munich) in DAS Legal Expenses Insurance Company (DAS UK) to 100 per cent, Mr Rudolf de Coster has been appointed chairman of DAS UK. He is chairman of the management board of DAS Munich and has been a director of DAS UK since 1977.

■ PACE PROJECTS has appointed Mr John Trett, senior projects manager, as projects director.

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AUTHORISED UNIT TRUSTS

Init Chge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: [illegible] – 0001 to 1100 hours; [illegible] – 1101 to 1400 hours; [illegible] – 1401 to 1700 hours; [illegible] – 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	17.20	17.38	18.49	-0.13	0.00
Pacific Basin	5	30.82	30.82	32.78	[illegible]	[illegible]
Can Balanced Gwth	5	52.58	52.58	55.08	[illegible]	[illegible]
Glbl Max	4	0.9705	0.9705	1.0109	[illegible]	7.65
Penny Share	5¼	29.82	29.82	31.72	[illegible]	[illegible]
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	5¼	137.7	139.4	148.3	-1.5	4.80
Wellington Growth	5¼	225.3	225.4	239.8	-1.1	1.38
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 290432						
Wessex UK Gwth	4½	112.6	116.7	121.9	-2.6	2.92
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger & F	2½	59.38	59.38	60.98	-0.24	0.27
Short Dtd Gilt & F	1½	81.06	81.06	82.11	+0.02	[illegible]
U.S. Govmt Bnd & F	1½	5.5724	.5724	.5799	[illegible]	0.00
Willbro Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	202.1	204.8	217.8	----	2.42
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convtbl & Equity	5	63.64	66.73	70.98	----	6.47
European	5	78.56	78.82	83.84	----	0.09
Far Eastern	5	62.23	69.00	73.40	----	0.59
Growth Inc	5	84.90	88.38	93.96	----	1.44
Growth Acc	5	84.98	88.40	94.04	----	1.44
Income Inc	5	82.81	85.36	90.81	----	4.66
Income Acc	5	82.91	85.46	90.91	----	4.67
Property Share	5	53.40	53.50	56.92	----	1.00
Smaller Co's	5	58.44	56.44	59.05	----	1.61
N.American	5	69.13	69.12	73.93	----	[illegible]
International	5	51.52	51.52	56.30	----	0.36
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	115.07	115.07	122.13	----	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Intl Fxd Int Fd Acc(z)	206.8	217.6	-0.4	-
Fixed Int Acc(z)	345.1	363.2	+1.1	-
Gtd Money Fd Acc(z)	240.5	253.2	+0.1	-
High Income Fd Acc(z)	120.3	126.5	-1.2	-
Intl Man Fd Acc(z)	433.2	456.0	-2.6	-
Japan Fd(z)	308.8	325.0	-4.4	-
UK Smllr Co's Fd Acc(z)	118.7	124.9	-1.5	-
Europlus Metro	120.7	127.0	-0.6	-
Global Metro	110.6	116.4	-0.4	-
Sunrise Metro	128.0	134.7	+1.1	-
UK Metro	112.0	117.9	-1.5	-
Nth American Fd Acc(z)	217.8	229.2	-1.6	-
Pac Basin Fd Acc(z)	166.5	175.2	-0.8	-
Prop Fd Acc(z)	351.1	369.6	----	-
Millennium	100.2	105.5	-1.4	-
Multiple Inv Acc(z)	735.8	774.5	-6.9	-
Pension Funds				
Brit. Blue Chip Acc(z)	156.6	164.8	-4.4	-
Eq Pen Fd Acc(z)	2103.3	2214.0	-41.8	-
Euro Fd Acc(z)	365.9	385.1	-0.2	-
Fixed Int. Acc.(z)	713.9	751.4	+2.5	-
Gt Money Pn Acc(z)	439.3	462.4	+0.2	-
High Interest	148.9	156.6	----	-
High Income Fd Acc(z)	127.3	134.0	-1.7	-
Intl Man Fd(z)	669.8	705.0	-3.5	-
Jap Pen Fd Acc(z)	439.9	463.0	-8.8	-
UK Smllr Co's Fd Acc(z)	126.2	132.8	-2.2	-
Europlus Metro	134.2	141.2	-0.9	-
Global Metro	118.7	124.8	-0.7	-
Sunrise Metro	145.5	153.1	+1.7	-
UK Metro	120.8	127.1	-2.8	-
N Am Pn Fd Acc(z)	277.2	291.7	-2.6	-
Pac Basin Fd Acc(z)	202.6	213.2	-1.2	-
Property(z)	621.1	653.7	+0.1	-
Multiple Inv Pens Acc(z)	1509.8	1589.2	-19.2	-
Broker Funds				
Prof. Pen. Fd	99.5	104.6	-1.6	-
YRA Strategy	127.1	133.7	-0.7	-
YRA Performance	109.4	115.1	-0.6	-
Langdon Dollar(SE)	143.0	150.4	-1.2	-

Continued on next page

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	Bid Price	Offer Price	+ or –	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road Haywards Heath 0444 458721				
American	128.0	135.0	+1.0	–
Building Soc. Fd	174.0	184.0	–	–
Balanced	290.0	306.0	–	–
European	192.0	203.0	–	–
GT Managed	193.0	204.0	–	–
Gartmore Mngd	129.0	136.0	–	–
German	141.0	149.0	–	–
Gilt	182.0	192.0	+1.0	–
Global	50.0	53.0	–	–
High Inc.	120.0	127.0	–	–
International Equity	202.0	213.0	-1.0	–
Japan	276.0	291.0	-1.0	–
Managed	62.0	66.0	–	–
Property	294.0	310.0	–	–
R. W. Imperial Gold	156.0	165.0	–	–
UK Equity	353.0	372.0	-3.0	–
Pension Funds				
American	153.0	162.0	–	–
Building Soc. Fd	177.0	187.0	–	–
Balanced	227.0	239.0	–	–
European	194.0	205.0	–	–
German	125.0	132.0	–	–
Gilt	159.0	168.0	–	–
International Equity	148.0	156.0	–	–
Japan	150.0	158.0	–	–
Managed	66.0	70.0	–	–
Property	225.0	237.0	–	–
UK Equity	327.0	345.0	-2.0	–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton. 0703 232323				
Pensions Managed Fund	96.97	102.52	-0.99	–
Pensions Cash Fund	88.41	84.64	+0.03	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Grth Mngd	617.8	651.1	-8.5	–
Adventurous Mngd	134.3	141.6	-0.1	–
Secure Mngd	111.9	117.4	-0.8	–
Cash Fd	239.1	252.0	+0.4	–
Property Fund	295.3	314.2	+0.5	–
Equity Fund	701.1	738.8	-12.6	–
Fxd. Int. Fund	298.3	314.4	-0.3	–

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

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LOANS

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AMERICANS

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Money Market Trust Funds

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LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]	24¼	Gen. Elect. 63c	36½	−⅛	$1.64	—	2.8
[illegible]	460p	General Host Corp $1	491p	......	30c	—	3.9
[illegible]	18¼	Gillette $1	29⅞	−⅜	96c	—	2.1
[illegible]	601p	Gt American Bank Bk $1	780p	+8	20c	—	1.6
[illegible]	16¾	Greyhound $1½	21¼	−⅛	$1.32	—	3.8
[illegible]	847p	Hasbro Inc 50c	14¼	......	16c	—	0.7
[illegible]	32¼	Honeywell $1½	52½	......	$2.10	—	2.5
22	15¼	Houston Inds.	21⅛	+⅛	$2.96	—	8.8
[illegible]	63⅞	IBM Corpn $1¼	67⅞	−⅞	$4.84	—	4.6
[illegible]	45p	Image Storage/R.Sys.1c	55p	......	—	—	—
[illegible]	18⅝	Ingersoll-Rand $2	30¼	+⅛	$1.20	—	2.5
[illegible]	22½	Lockheed Crpn. $1	30⅜	......	$1.80	—	3.7
[illegible]	15⅛	Lone Star Inds $1	19½	−⅛	$1.90	—	6.2
[illegible]	17½	Louisiana Land 15c	26	+⅛	$1.00	—	2.4
[illegible]	11½	Lowe's 50c	20	......	48c	—	1.5
28	15⅞	Manuf. Hanover $1	27⅛	−⅛	$3.28	—	7.7
[illegible]	15⅞	Merrill Lynch $1	19⅞	......	$1.00	—	3.2
[illegible]	1910p	Molex Inc.	2367p	+13	3.2c	—	—
[illegible]	18⅛	Morgan (JP) $2½	29	−⅞	$1.66	—	3.6
109	96⅞	Morris (Philip)	109	+2⅛	$4.50	—	2.6
[illegible]	36⅛	NYNEX $1	51½	−⅛	$4.36	—	5.4
44p	20p	N'wide Legal Serv.	27p	−2	—	—	—
[illegible]	18¼	PHH Corp.	23⅛	−⅛	$1.12	—	3.0
[illegible]	179p	Pacific Agr.	212p	......	—	—	—
[illegible]	19	Pacificorp $3¼	25⅛	......	$2.76	—	6.5
[illegible]	16⅞	Pacific Telesis 10c	28¼	−⅛	$1.88	—	4.2
[illegible]	15¼	Pall Corp. 25c	22¼	+¼	48c	—	1.4
[illegible]	39⅞	Pennzoil 83 1/3c	51	+⅞	$3.00	—	3.7
[illegible]	28⅛	Quaker Oats $5	38⅞	+⅛	$1.20	—	2.0
[illegible]	23½	Rep NY Corpn $5	29⅜	+⅛	$1.28	—	2.7
16	11⅞	Rockwell Intl. $1	15⅛	−⅛	78c	—	3.3
29½	22	Sears, Roebuck 75c	27⅞	−⅛	$2.00	—	4.7
36⅛	21⅝	Southwestern Bell $1	36⅛	+⅛	$2.60	—	4.6
[illegible]	17⅞	Sun Co. Inc. $1	25⅛	......	$1.80	—	4.5
31¼	22⅞	TRW Inc. 62½c	29⅛	+⅛	$1.72	—	3.7
24⅞	14⅛	TW Services $5	23¼	−⅛	10c	—	0.3
[illegible]	26¼	Tenneco $5	38½	+⅛	$3.04	—	5.0
35	28	Texaco $6.25	32¼	+⅛	$3.00	—	3.9
28	21½	Texas Instr. $1	24	+⅛	72c	—	1.9
[illegible]	58⅝	Time Inc. $1	89⅞	+⅞	$1.00	—	0.7
19⅛	15⅛	TRINOVA Corp.	17⅞	−⅞	68c	—	2.4
26⅞	16	USX $1	26⅛	+2⅛	$1.40	—	3.4
260p	126p	Unilab	240p	......	—	—	—
36⅞	22¼	Utd. Technologies	35⅛	−⅛	$1.60	—	2.9
158p	128p	UUltech Inc.	146p	......	—	—	—
46½	31½	US West	46	+⅛	$3.76	—	3.2
41⅛	22⅝	Waste Management $1	41½	......	60c	—	0.9
20½	15½	Whirlpool $1	17⅛	−⅛	$1.10	—	3.9
24⅛	16⅞	Whitman Corp.	20⅛	+⅛	$1.02	—	3.2
46⅞	28⅛	Woolworth $3½	41⅞	......	$1.88	—	2.9

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
178p	129p	ABM Gold Corp	152p	−7	—	—	3.2
26p	4½p	Abbot Energy Corp.	25p	......	—	—	—
16½	902p	Amer. Barrick Res.	15⅞	−⅛	—	—	—
28p	10½p	Anmeno	15½p	......	—	—	—
13¼p	8½p	Augmitto Expln.	16p	......	—	—	—
18⅞	12⅞	Bk. Montreal	16⅞	+⅛	$2.12	—	6.8
10⅞	655p	Bk. Nova Scot.	946p	−4	92c	—	5.3
821p	599p	BC Gas $2	794p	+4	60c	—	4.1
22⅞	17	BCE	22¼	+⅛	$2.44	—	6.0
17	12¼	Brascan	16½	+⅛	88c	—	2.9
228p	108p	Breakwater Res.	108p	−1	10c	—	5.0
17¼	11¼	Can. Imp Bank	16⅛	......	$1.24	—	4.1
15¼	997p	Can. Pacific	14⅛	+⅛	76c	—	2.7
[illegible]	39	Do. 4pc Deb £100	38	......	4%	—	10.5

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	£38	Astra AB B Sk12½	£36½	−¾	Q20%	3.4	0.7	—
[illegible]	90	Aukett Assocs. 5p	120	......	W3.0	2.9	3.3	15.1
[illegible]	314	Avis Europe	596	......	♦11.0	2.5	2.5	20.4
[illegible]	474	Avon Rubber £1	474xr	−4	†g14.0	3.8	5.9	8.5
[illegible]	155	BBA Group	193	−5	6.45	2.7	4.5	9.6
[illegible]	98	Do. 6.7pc Cnv Rd Cr Pf.	128	−4	6¾%	—	7.5	—
[illegible]	222	BET	278	−4	11.5	1.9	5.5	12.1
[illegible]	22	Bimec Inds. 5p	41½	−2	s0.75	1.1	2.4	38.2
[illegible]	74	BLP Group 10p	74	−3	†3.6	1.5	6.5	9.7
[illegible]	420	BOC Group	488	−3	§16.6	2.3	4.5	11.0

[illegible]

INDUSTRIALS (Miscel.)—Contd.

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	Mis. & Allied Spds 12½p	24	......	—	—	—	—
32	17½	M Inty	220	−5	s0.29	7.7	0.2	94.2
283	217	Meeks & Crane 10p	78	−3	3.83	2.4	6.5	8.4
125	68	Morgan Crucible	293	......	†10.9	1.9	5.1	12.4
330	236	Do. 7.5pc Cnv Red Prf	127	......	7.5	—	7.9	—
135	104	Mosaic Invs. 10p	355	......	5.5	3.3	2.1	16.6
372	285	Myson Grp 10p	201xd	......	†6.25	2.9	4.1	10.9
240	140	NMC Grp 12½p	111	......	3.3	4.2	4.0	8.0
165	111	Do. 7.75pc Rd Cr Prf	101	−1	7.75	—	10.2	—
122	100	NMW Computers	35	......	0.25	—	1.0	—
91	35	[illegible]	189	......	†3.0	4.3	2.1	14.4

[illegible]

INSURANCES

[illegible]

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

160	95	Beacon Hldgs. ψ	144		12.5	0.1	2.5	9.0
39	29	Sleepy Kids 5p ψ	31		–	–	–	–
*17½	5½	Stals Hldgs. 5p ψ	7½		–	–	–	13.0
*3¼	1¼	Swanyard Studios 1p ψ	2	+¼	–	–	–	9.6
11	3¼	Systems Connections 2½p ψ	5½		–	–	–	7.2
50	37	Tavern Leis. 20p ψ	40	–1	–	–	–	–
115	28	Tomorrows Leisure 20p ψ	88		–	–	–	43.8
For Tullow [illegible] see Oils & Gas								
113	75	UPL Group 10p ψ	75		2.75	1.9	4.9	14.2
150	135	Unit Group ψ	144	–1	3.0	3.3	4.6	8.2
100	66	Video Magic Leis. 1p ψ	90	–1	W2.0	0.7	3.0	72.2
14	5	Vista Ents 5p ψ	7½		–	–	–	–
40	32	Vizcaya Hldgs 5p ψ	32		–	–	–	–
46½	23	Whitegate Leisure 20p ψ	39	–½	–	–	–	–
32½	10	Do. Wrnts ψ	27		–	–	–	–
10¼	5	Wilton Group 1p ψ	6½	–¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- * USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‡ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ψ	96	
Craig & Rose £1 ψ	830	
Finlay Pkg. 5p ψ	78xd	–2
Holt (Jos) 25p ψ	1353	

IRISH

Cap. 8½% Ln. 1991	£97¼	
9pc Cap Ln. 1996	£98	–¼
Fin. 13% 97/02	£118	
Arnotts	450	+30
Carrol (P.J.) ψ	152	
Hall (R. & H.)	178	
Heiton Hldgs ψ	92	
For Irish Ropes see IRG		
IRG	225xd	+10
United Drug	140	

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	22
Burton Ord.	18
Cadburys	46
Charter Cons.	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd.	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen.	26
Lex Service	33
Lloyds Bank	29
Lucas Inds.	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord.	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property

Brit Land	52
Land Securities	52
MEPC	50
Rawdsworth	28

Oils

Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	5
Shell	32
Ultramar	26

Mines

Cons Gold	150
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

FINANCIAL TIMES
Weekend October 7/October 8 1989

Labour sails on a high tide from Brighton

Michael Cassell assesses the party's progress at this week's 'landmark' conference

AT LEAST the Red Flag remains sacrosanct in the sharp-suited, super-slick, soothingly socialist, poll-topping Labour Party.

For the eighty-eighth time, delegates clasped hands to bellow their proletarian credentials before departing from Brighton, either heartened or horrified at the transformation in the physical appearance and political tone of their party.

With the paraphernalia of party conference being packed into vans well used to being employed for theatrical removals, the Labour leadership has good grounds for liking the show so far.

Conference week has been a dream: for once, the nightmares have been reserved for the party of government, which heads for Blackpool, where the chill winds of high interest rates already swirl around the Winter Gardens.

The policy review has been overwhelmingly endorsed, providing not only the basis for the party's next election campaign but replacing division with a rare and potent image of unity. Labour has dumped unilateralism, will dump the block vote and finally believes it is on to the "winning way."

Throughout the week, outbreaks of dissent and glimpses of the old, sectarian Labour Party were few and far between. The processes of decision-making have been irretrievably changed and there will be no going back to unpredictable policy making.

Early on in the week, it was made abundantly clear that nothing was going to spoil Mr Neil Kinnock's "landmark" conference, when he publicly dismissed an overwhelming vote to cut defence expenditure. Sensitivities were bruised but the whiff of victory provides a heady chloroform.

The conference format, linked inextricably to seven policy documents carved in Welsh granite, left no room for manoeuvre or for troublesome divergence. Front-bench spokesmen escorted their policies through the proceedings, getting time to state the party's case and were no longer forced to try to catch the eye of chairman Mr Dennis Skinner.

The pent-up frustrations of those opposed to Mr Kinnock's reconstruction job finally seeped through on to the conference floor yesterday. In a nostalgic replay of past years, there were accusations of a witch-hunt against the Trotskyite Militant Tendency, while union block vote supporters pledged to fight to restore real socialism to the party.

There were few other signs of the old, socialist model. Mrs Gwyneth Dunwoody, a platform veteran, found herself admonished for beckoning a "cuddly" male delegate to the rostrum, recalling earlier accusations of sexism hurled at any chairman so silly as to use the word "luv" when inviting females to the rostrum.

Among the wire-necked roses and scrub-necked platform potentates sat Mr Sam McCluskie, party treasurer, a large breath of fresh air in his seafaring, woolly sweater.

Mr McCluskie touched a raw nerve when he complained that his appeal for funds was switched to a less glamorous spot because it threatened to spoil BBC coverage of the party leader's speech. Who, he asked, was running the Labour party? – a question asked more than once this week.

Mr Kinnock's answer is that the rank-and-file membership is finally beginning to have its say. It is, he insists, "no puppet show" with the leadership and its media moguls pulling the strings. The party, he stresses, has spent two years building a consensus for the policies now endorsed.

Labour leaves Brighton in excellent spirits and with hopes high. Deep-seated reservations remain about the rate and scale of the party's conversion to a squeaky-clean style of democratic socialism and whether principles have been sublimated in deference to political expediency.

Mr Skinner and his dwindling band of purists still doubt that cuddly Labour can go to the electorate "wearing carpet slippers" and hope to win. If Mr Kinnock's strategy fails at the next election, he may have hours at most before someone puts the boot in.

Labour at Brighton, Page 5; The view from the circle, Page 12

Pöhl would welcome realignment of EMS

By Haig Simonian in Bad Godesberg

MR Karl Otto Pöhl, president of the Bundesbank, yesterday repeated West German calls for a realignment of the European Monetary System barely 24 hours after the country's monetary authorities raised their key interest rates by 1 percentage point, triggering a wave of increases across Europe.

Mr Pöhl said a realignment of the EMS, as increasingly demanded in West Germany, "would certainly be desirable and welcomed from the Bundesbank's point of view."

Raising the value of the D-Mark might not only help the fight against domestic inflation – the reason behind Thursday's interest rate rise – but would also help to reduce imbalances in international trade, he said.

"An upward valuation of the D-Mark, especially towards countries with high inflation, would also be a correct response to the problem of surpluses," he said.

West Germany's trade surplus with other members of the European Community is likely to rise by about DM15bn (£4.94bn) to around DM96bn this year, while the total surplus should reach a record DM145bn, he said.

Mr Pöhl also gave unusually candid recognition of the central role of the Bundesbank in international monetary policy.

Quoting from an editorial comment in yesterday's Financial Times, which praised the Bundesbank for taking the initiative in pushing up interest rates and demonstrating its de facto status as Europe's central bank, Mr Pöhl said approvingly: "I read in the Financial Times what we would never dare to say."

However, the Bundesbank president, speaking at the annual gathering of West Germany's public sector bankers, once again warned of the dangers to the Bundesbank's widely-respected independence posed by the current steps towards closer monetary and economic union in Europe.

Mr Pöhl strongly defended the decision to raise the key discount and Lombard rates by a full percentage point each to 6 per cent and 8 per cent respectively.

These rates, for certain types of Bundesbank funding for the commercial banks, are benchmarks for bank lending to private customers and businesses.

He justified the move as a vital pre-emptive step to counter the danger of domestic inflation.

Moving decisively to put the lid on inflation was not so much part of a strategy to ensure a *"soft landing"* for the German economy, but to guarantee continuing "comfortable flying," Mr Pöhl said.

"We don't want to land, but to carry on flying as long as possible; in other words keep the process of growth moving without endangering price stability."

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Allianz	2245	+	27
Commerzbank	273	+	5
Deutsche Bank	701	+	13.5
Kaufhof	593	+	12
MAN	409.5	+	23.5
Falls			
Aachener Muen	812	–	11

NEW YORK ($)			
Rises			
AMR	104	+	3⅞
Chevron	64¾	+	1
Philip Morris	177	+	2⅛
USX	39	+	⅝
Falls			
Dow Chem	102⅞	–	1¾
Harcourt Brace	6¾	–	¾

New York prices at 12.30.

LONDON (Pence)			
Rises			
BAT Inds	850½	+	15½
BTR	462	+	15
Br Aerospace	620	+	5
Guinness	597	+	25
Jaguar	731	+	62
Morgan Gr'fell	412	+	13
Pearl Group	648	+	8
Racal Elec	240	+	10
Rosa Consumer	177	+	131
Rothmans B	643	+	13
Royal Ins	462	+	7
Saatchi & S	340	+	40
Scot & New	375	+	14
Sun Life	1113	+	23
Falls			
Arcolectric A	53	–	15
Benlox	38	–	6
Bulmer (HP)	172	–	10
Burton	213	–	9
Coloroll	110	–	15
Hi-Tec Sports	105	–	7
Menzies (J)	364	–	16
Oxford Instr	255	–	10
Refuge Group	592	–	10

PARIS (FFrs)			
Rises			
Credit Nat	1234	+	78.7
Labinal	1318	+	105.9
Sat	1405	+	128.4
Falls			
Concept SA	340	–	15.3
Cr Lyon (C I)	715	–	33.4
Thomson	177.1	–	4.9

TOKYO (Yen)			
Rises			
Osaka Titanium	2690	+	290
Tokin	2550	+	260
Y-E Data	2130	+	240
Falls			
Inageya	4900	–	500
Marusho	1170	–	100
Oita Bank	1290	–	100

WORLDWIDE WEATHER

		Y'day midday °C	°F
Ajaccio	S	21	70
Algiers	S	25	17
Amsterdam	F	14	57
Athens	C	17	63
Bahrain	S	33	91
Barcelona	F	22	72
Belfast	C	14	57
Belgrade	F	15	59
Berlin	C	17	63
Biarritz	C	18	64
Birmingham	R	10	50
Blackpool	R	14	57
Bombay	S	33	91
Bordeaux	F	19	66
Boulogne	C	15	59
Bristol	C	15	59
Brussels	F	14	57
Buenos Aires		–	–
Budapest	S	15	59
Cairo	S	28	82
Cape Town	R	17	63
Cardiff	R	15	59
Chicago †	S	8	46
Cologne	F	16	61
Copenhagen	R	11	52
Corfu	S	22	72
Dallas		–	–
Dublin	C	10	50
Dubrovnik	S	19	66
Edinburgh	F	13	55
Faro	S	25	77
Florence	S	19	66
Frankfurt	C	12	54
Geneva	C	15	59
Gibraltar	F	24	75
Glasgow	F	14	57
Guernsey	F	10	50
Helsinki	S	7	45
Hong Kong	S	30	86
Innsbruck	S	17	63
Inverness	F	12	54
Isle of Man	C	15	59
Istanbul	F	17	63
Jersey	C	15	59
Johannesburg	S	25	77
Las Palmas	S	26	79
Leeds	R	14	57
Lisbon	S	25	77
Locarno	R	17	63
London	C	15	59
Los Angeles †	F	17	63
Luxembourg	F	14	57
Madeira	F	24	75
Madrid	S	23	73
Majorca	F	25	77
Malaga	F	25	77
Malta	F	22	72
Manchester	Dr	15	59
Melbourne	F	15	59
Mexico City		–	–
Miami †	S	27	81
Milan	F	18	64
Montreal †	R	8	46
Moscow	R	3	37
Munich	F	18	64
Nairobi	C	23	73
Naples	S	22	72
Nassau		–	–
Newcastle	C	14	57
New Delhi	S	32	90
New York †	C	14	57
Nice	S	20	68
Nicosia	C	24	75
Oporto	R	20	64
Oslo	C	11	52
Paris	S	16	61
Peking	S	18	64
Perth	C	16	61
Prague	S	17	63
Reykjavik	C	7	45
Rhodes	S	21	70
Rio de Janeiro		–	–
Rome	S	15	59
Salzburg	F	16	61
S'Francisco †	F	11	52
Santiago		–	–
Seoul	F	19	66
Singapore	R	27	81
Stockholm	Dr	13	55
Strasbourg	C	13	55
Sydney	F	20	68
Tangier	F	27	81
Tel Aviv	S	27	81
Tenerife	F	26	79
Tokyo	C	21	70
Toronto †	C	14	57
Tunis	F	23	73
Valencia	S	24	75
Venice	F	17	63
Vienna	S	15	59
Warsaw	F	14	57
Washington †	C	13	55
Wellington	C	10	50
Zurich	R	12	54

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Role of US in failed coup to be scrutinised

By Peter Riddell, US Editor in Washington and Tim Coone in Panama City

THE WHITE HOUSE has ordered an investigation into the way in which the US handled last Tuesday's failed coup attempt in Panama against General Manuel Noriega.

The review comes amid reports of criticism by Mr John Sununu, White House Chief of Staff, and Mr James Baker, Secretary of State, of the performance of Mr Brent Scowcroft, national security adviser, and of General Colin Powell, new chairman of the joint chiefs of staff.

The criticism has heightened because of contradictory versions of the attempt by rebel Panamanian officers to oust of their military leader.

One of the reasons why President George Bush reportedly did not order US troops to help seize Gen Noriega was the lack of clear options as a result of confusion in intelligence reports.

A further factor was that for two critical hours both Mr Bush and Mr Baker were tied up in meetings with President Carlos Salinas de Gortari of Mexico.

Yesterday three elements were still unclear: The extent of advance US knowledge of the coup attempt; whether Gen Noriega was ever detained; and whether the rebels had ever been prepared to hand him over to the US.

Mr Sununu has ordered a formal review of what went wrong.

Congressional critics within their own sources of information – both conservative Republicans like Senator Jesse Helms and some Democrats – have argued that the administration wasted an opportunity to get rid of Gen Noriega.

Senator Helms has claimed that the rebels offered US forces in Panama the chance to take Gen Noriega – a claim denied by Mr Dick Cheney, Defence Secretary, who has said the insurgents refused to hand over the general.

US representatives in Panama were first tipped off last Sunday evening about a coup attempt, then said to be on Monday.

US commanders then responded to a rebel request to block two roads in the Canal Zone. That contrasts with the *original administration claim* that there was no direct US involvement.

In Panama, Gen Noriega was expected to continue his purge of the defence forces. But on Thursday night he turned his attention to the political opposition.

Mr *Guillermo* Endara, a leader of the ADOC opposition alliance, was dragged by paramilitary troops from his party offices where he was staging a hunger strike. Foreign journalists and television crews were manhandled by troops.

Noriega starts battening down the hatches, Page 13

'Disturbing' rise in US unemployment

By Anthony Harris in Washington

THE US labour market weakened sharply in September, due to a drop of 105,000 in manufacturing employment during the month.

That figure compared with a net loss of 30,000 jobs in the previous four months, and was described as "disturbing" by Ms Janet Norwood, the commissioner of labour statistics.

The figures were much weaker than market analysts had been expecting, and bonds, which had fallen ahead of the official announcement, rose ⅝ points when the news was released.

Adult unemployment rose by 50,000, or 0.1 of a percentage point, to 5.3 per cent from 5.2 per cent, seasonally adjusted; but when allowance is made for the return to work of 75,000 striking telephone workers, who were recorded as unemployed in August, the underlying rise was 125,000.

About one third of the fall in manufacturing employment was in the motor industry, where excessive inventories and model changes have produced a jagged pattern of employment in recent months. Car sales returned to their mid-year levels in the first three weeks of September after a short surge in August, in response to heavy discounting of 1989 models, which still persists.

Other losses were spread through most sectors. Overall, job losses were reported by 16 out of 20 manufacturing factors, and for the first time in more than 2½ years, more industries in the sample reported job *losses than* job gains.

The services sector presented a much stronger picture, but this largely reflected special factors. Nearly all the 80,000 jobs gained in transport and utilities reflected the return of strikers to work, and the 95,000 public sector increase reflected the hiring of teachers at the beginning of the new school year.

Only the gains of 45,000 each in health and business services appeared to be due to stronger demand.

The employment figures provide the first confirmation of a number of leading indicators of slower growth in the US economy.

Surveys of industrial sentiment have been weak for the past four months, order books have been shortening slightly in all industries apart from aircraft throughout the year, and investment growth is slowing.

Janet Bush in New York writes: The dollar suffered a temporary setback in New York after the release of the employment data, but then rebounded, prompting modest intervention by the US Federal Reserve.

By the New York midsession, the intervention appeared to have capped the dollar's rise. It was quoted at Y142.40, still above its earlier low of Y141.85 and at DM1.8865 from its trough after the employment report of DM1.8770.

The Treasury bond market rallied strongly on hopes that these figures would provide justification for the Fed to ease monetary policy. However, bonds turned more cautious when the Fed's money market operations suggested no change in policy.

On the equity market, the Dow Jones Industrial Average was quoted 10.64 points higher at midsession at 2,784.19, a record high.

Gorbachev

Continued from Page 1

citizens to the West over the past month. The nearest Mr Gorbachev came to giving East Germany prescriptions was his mild references to the need for "human rights" and "a state ruled by law."

Mr Honecker, in a fighting speech where he gave no hint of any readiness for new reforms, hit out at "enemies" of East Germany. He said that "revanchist" politicians were combining with neo-Nazis in West Germany to launch "an unbridled campaign of insults against the communist German state."

Mr Gorbachev was given a warm welcome from East German citizens when he arrived yesterday to lay a wreath at the tomb of the unknown warrior and when his limousine drew up outside the palace. The now familiar chants of *"Gorby, Gorby" filled the air.* However, on a drizzly East Berlin day there was no mass enthusiasm for the anniversary apart from a large torch procession last night.

Mr Honecker, looking tense after his long absence through illness, gave no indication of any weakness in his resolve to continue to apply Marxist Leninism in East Germany. "We have answers to all the questions," he said. "Ours is the better world."

Mr Gorbachev praised East Germany for its achievements through the 40 years, underlined "solidarity" with the East German people, and spelled out Lenin's maxim that different socialist states could develop at different paces.

Whatever Moscow's doubts about the obduracy of the East German leadership, the precarious state of the East German regime yesterday gave Mr Gorbachev no alternative but to voice full public confidence.

Speaking to crowds early in the day, Mr Gorbachev hinted at a more active approach to changes when he spoke of the need for East German "corrections." The most important *thing, he said, was that the citizens* themselves should decide.

Told by some people in the crowd that they wanted to stay in East Germany, Mr Gorbachev shook hands and gave fatherly advice, telling them "Don't panic, don't get depressed."

Lawson

Continued from Page 1

increase would lead to recession. Instead he said that the hoped-for slowdown in the British economy created oppor*tunities for industry.*

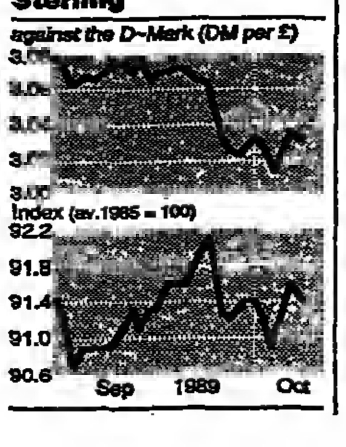
If companies "keep a firm grip of their costs, and therefore can maintain and indeed increase their share of world markets . . . then there will certainly be no recession at all," the Chancellor said. "It will be only if they totally fail to keep control of their costs that there is any risk of recession."

British companies needed to do better in export markets as the economy slowed down and reduced the pressure on their productive capacity.

"Previously, they could say *perhaps that* demand was so strong at home, they didn't have the full capacity to serve export markets. . . As the British economy slows down, the opportunity *is* there and they must seize it."

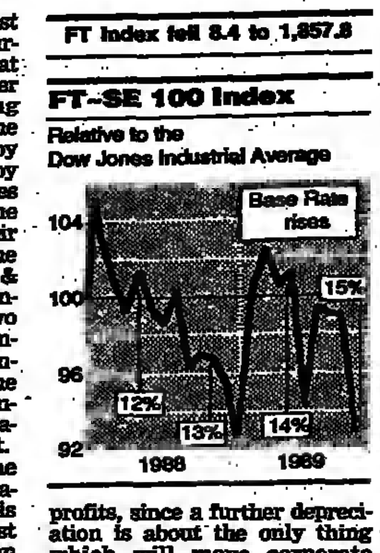
Mr Lawson said that inflation in Britain had peaked, but the increase in the retail prices index would be higher than the 5.5 per cent forecast for the end of this year in the Budget in March.

Sterling



THE LEX COLUMN

Peering through the gloom



In spite of yesterday's robust showing by the London market, it is hard to believe that the immediate trend is other than down. After scraping momentarily below 2,250, the FT-SE recovered 28 points by the close. But it was helped by a couple of buy programmes and the dogged refusal of the speculators to give up on their favourite bid stocks; hence the sharp gains in BAT, Scottish & Newcastle, BTR, Morgan Grenfell and Jaguar. The only two FT-SE stocks to stage a non-speculative rally were Guinness and Rothmans. When the market rediscovers the defensive merits of booze and cigarettes, it is time to watch out.

In fundamental terms, the market is groping for a valuation. The market multiple is anyone's guess, but on a worst case of unchanged earnings in 1990 the prospective p/e would remain at the historic level of 12.6. Some analysts may now use 15 per cent base rates as an excuse to downgrade forecasts which were already looking exposed at 14 per cent. While the difference between 14 per cent and 15 per cent may not seem great from the consumer's viewpoint, there will always be a last rise which breaks the camel's back.

On the other hand, a time may come when the market risk is upwards rather than downwards. The optimist will say that the Chancellor, having committed grievous bodily harm on the consumer, has plenty of time to pick him up and stuff his pocket full of fivers in the run-up to the election. *Those nervous of a* rebound might reflect that anyone who missed the January rise would have been as well to stay in cash, the rise in the FT-SE since February being just 11 per cent. That rebound, of course, was a matter of catching up with Wall Street. Once the present setback is over, the market will doubtless return to its two chief preoccupations, Wall Street and sterling.

Sterling

The outlook for sterling is important both for corporate profits and future interest rates. In spite of the Chancellor's strong words and actions this week, the pound has already been devalued by 6 per cent this year, eroding all of last year's appreciation. The longer-term question is not if but when the pound will be allowed to fall again. This is important both for interest rate policy and also corporate profits, since a further depreciation is about the only thing which will move corporate profits ahead next year.

However, the Government is boxed in for the moment, since a firm exchange rate is regarded as a symbol of its firm anti-inflationary stance. But a strong exchange rate also delays any real improvement in the balance of payments deficit; given that the underlying rate of UK inflation is running nearly twice as fast as in West Germany, a further depreciation in the UK exchange rate seems almost inevitable. The best bet is that this will be permitted to occur when there are signs of a far more serious economic slowdown. But the approach of the next general election severely limits the room for manoeuvre.

Wall Street

The UK equity market may be one of the most intensively analysed in the world, but at the end of the day Wall Street generally gives far and away the best clues to London's medium-term direction. The symbiotic relationship between the two markets has been especially pronounced since the 1987 crash and the occasions *when there has been a sharp* diversion have almost always been temporary and followed by a period of rapid catch-up.

It is clear from the contrary performances of the two markets over the last fortnight that we are witnessing such a period now. The normal 300-point gap between the Dow and the FT-SE has widened to over 500 points. Whereas the Dow has been hitting successive records this week, the FT-SE has never broken through its July 1987 peak and is now almost 170 points shy of its record. The question for London is whether the deteriorating economic picture means that the UK equity market is breaking with the past and decoupling from Wall Street for an extended period.

The answer is probably not. But whether London will be dragged up on Wall Street's coat tails or the latter will come down towards London's level is less easy to call. There is a number of reasons for caution, not least of which is the fact that the US market is already up 29 per cent this year. There has not been a single year in the seven-year bull market when the S&P 500 ended with such a rise.

For the moment, the US economic outlook is reasonably good for equities. Government bond yields of around 8 per cent are 1 per cent below a year ago, inflation is subdued and yesterday's weak US employment *figures may be* just the excuse the Fed needs to ease monetary policy again after a decent interval. IBM is unlikely to be the only giant to warn about profits; but as long as a strong dollar continues to attract foreign investors, worries about corporate profits in themselves should not damage equity prices unduly in the absence of a recession.

Winners/losers

In its present frame of mind, the market might prefer to think in terms of losers and mega-losers. But there are some companies which stand out as defensive: those with least exposure to the UK economy and with net cash on the balance sheet – Glaxo, say; or if domestic, with stable demand characteristics like British Telecom and the food retailers.

For hard-hit sectors like stores, the problem lies in deciding whether they have fallen enough. That could be the case for the better-placed retailers like Marks and Spencer, Boots or Kingfisher, but *not for Next, Dixons and Storehouse.* Nor should one forget the sectors exposed to a possible downturn in corporate investment, such as construction, property or agencies. Regardless of sector, a sharp eye must be kept on smaller companies, given their heavier dependency on the UK and higher balance sheet gearing. The tendency of small companies to outperform the market has been a gold mine for discerning investors for many years. So far this year it has gone into reverse, and nothing seems likely to change that.

Property Plus

SECTION III A SPECIAL SUPPLEMENT

Around the world on £100,000 and up

***John Brennan** wonders what home you could afford to buy abroad for the price of a London semi-detached*

CHEAP IS a comparative. My "good value" is your "criminally expensive" and his "bargain." Applied to property, it is location that determines the reaction. Seeing a metropolitan studio flat or a Scottish estate for the same amount of money challenges anyone's sense of values. The age-old lure of trading up in quality by trading across in location makes town dwellers the most avid readers of the country glossies, which are packed with landed mansions at city-terrace prices.

In UK housing, even after a year's slide from the long bull market's peak, it is apparent that the disparity in prices between town and country still applies. At the end of last year, the average price of a home in London came within a whisker of topping the £100,000 mark.

Since then – and months of housing market inactivity – the London Research Centre's price analysis confirms that the capital is still a place for six-figure buyers – at least for houses. The average three-bedroom home in an outer London borough now costs £100,000, and the comparable average for the seven central boroughs is more than double that, at £215,900.

That enables the owner of the average-priced three-bedroom house in inner suburban Harringay to cash in and buy a modest mansion in Powys. The owners of a modern, two-bedroom Chelsea flat could get away from it all on a 2,411-acre grouse moor in Morayshire. The process of letting distance counteract inflation becomes even more entertaining, if you take your choice of properties worldwide.

Taking those two London price averages as an international guide, buyers with £100,000 and £200,000 cash to spend would have a tough choice.

The £100,000 Option

Roughly £100,000 translated into Danish Krone would provide for a 1,000 sq foot newly built bungalow with a patch of garden front and back, near the east Jutland coastal town of Horsens. It would also pay for a four-to-five bedroom house in a couple of prime acres of suburban Harare, in Zimbabwe.

As Rory St John O'Donaghue, of Knight Frank & Rutley, in Harare says, your Zim$330,000 home would come with *swimming pool, tennis court*, and double garage, or buy you one of the best central town houses in Zimbabwe's second city of Bullawayo.

In Botswana, the shortage of quality property is such that existing owners prefer the high yields and capital growth that renting offers rather than selling, but Justin Bass, in Gaborone, estimates that you could just about afford a single-storey, three-to-four bedroom house with two bathrooms, but would have to do without a swimming pool.

Further south in South Africa, an effective 25 per cent increase in home loan repayment costs in the past year has sent the residential market into a decline which has brought the "highly negotiable" signs on to most agents' asking prices. Pre-negotiation, the price scale would buy a vast, eight- to 10-bed, architect-designed detached house with sea and city views in the highly fashionable Durban suburb of Upper La Lucia.

Under equally warm, if rather nearer skies, David Scott International calculate that a three-bedroom, two-bathroom Prowting Homes villa at Balaia Village between Albufeira and Vilamoura on the Portugese Algarve coast fits the price range – after allowing for Sisa tax, legal registration costs and furniture.

In hotter climes again, the choice extends to a two- to three-bedroom suburban house with garage outside Sydney, Australia.

Look to New York and, as John Glaister of KFR wryly points out, with prices of the most fashionable condominiums running around the $700 a sq foot mark, you'd be hard put *to afford a 225 sq foot cupboard* in Trump Tower. The choice widens out in the US holiday belt, with options of a two- or three-bedroom townhouse in Naples, Florida, or a four-bed, two-bathroom detatched house of about 2,300 sq foot in a non-tourist area of Disney World's Orlando.

The current average price for a suburban family home in the Greater Vancouver area is £100,000. This section of the Canadian market has been buoyed up by the influx of buyers from Hong Kong.

In Hong Kong itself, even the trauma of preparing for the 1997 handover and the violent events in mainland China have not so dented the colony's high land costs as to bring residential costs down to earth. Nevertheless, the combined crises have had an impact on resale values and today, you would be able to afford a small, two-bed flat in a highrise block on North Point.

Incomers from Hong Kong and Taiwan have been actively buying in New Zealand, according to Ian Paterson of Baillieu Knight Frank in Wellington, where NZ$260,000 would pay for a traditional, 1920–1930's three-bedroom wooden bungalow in a good suburb of Wellington or Auckland.

Back from the other side of the world, on a price-to-area basis – if you didn't mind having the stars as a roof – you would be hard put to beat the option of acquiring the 123 acres of 20-year-old mixed hardwood forest at Welsbourne Wood, near Stratford-Upon-Avon, Warwickshire, currently o the books of John Clegg & Co, and still get £10,000 change.

The £200,000 Option

A high fashion, low-elbow-room 450 sq ft studio flat in Manhattan contrasts with the near 3,000 sq ft 1960's villa 16 kilometres from Nice International Airport, on International Property shops' books for the same £200,000.

The New York to Nice contrast is no greater than the NY to Florida price differential. As Graham Brown of Property Link International explains, at £200,000 you are beginning to reach some of the better properties in the Naples area of Florida which, he argues, is currently the best property buying location in the area.

The sum of £200,000 will buy a four-bedroom, two-bathroom detached bungalow or a luxury condominium apartment with views over the Gulf of Mexico. Better still, this equates to a modern, single-floor mansion set in five acres in downtown Harare, complete with sauna, jacuzzi, and within the 24-hour communal security of an estate. Tennis and squash courts, swimming pool and servants quarters are included.

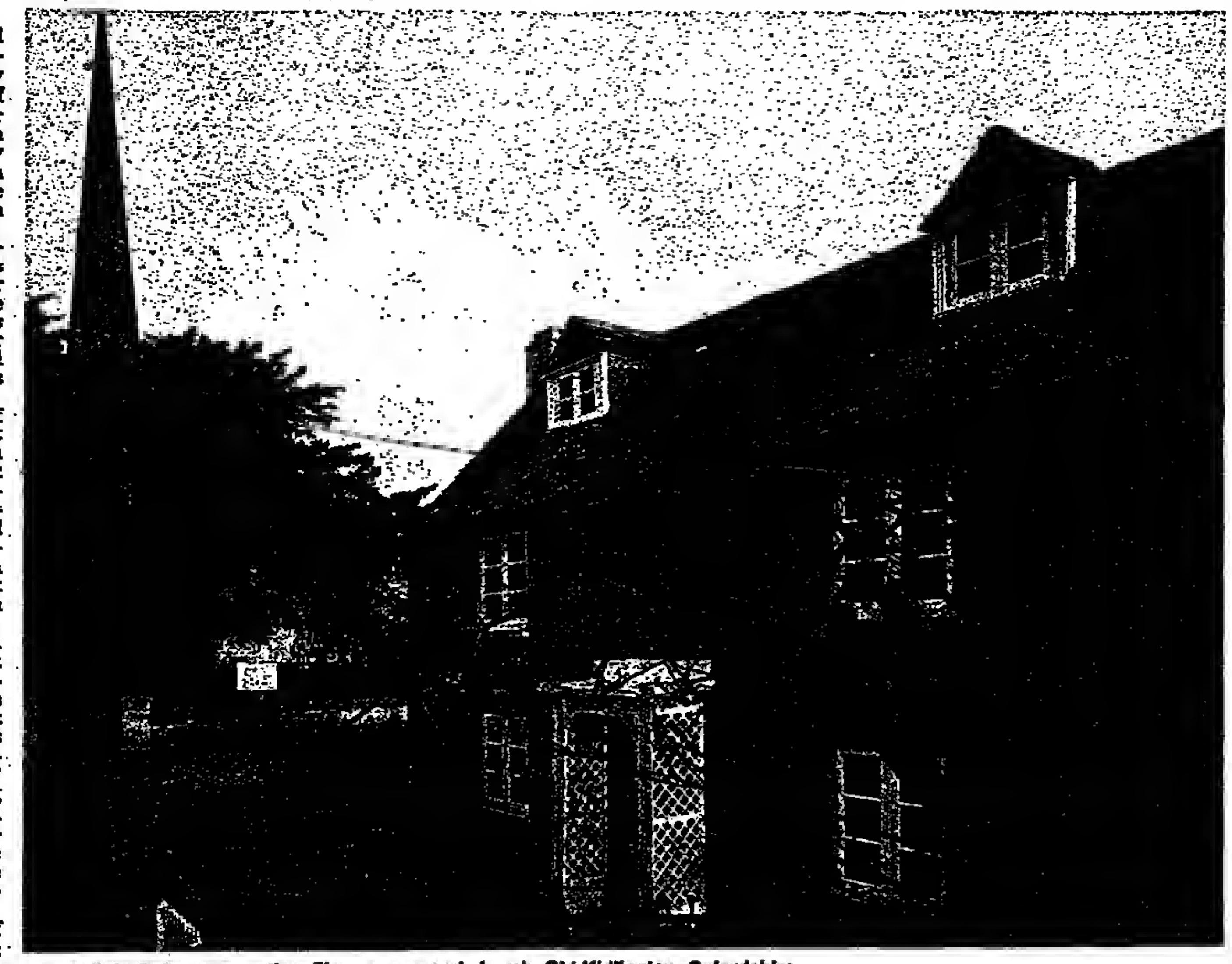
Double garages and servants quarters go without saying for a European house in this price range in Botswana's capital, Gaborone.

Attached to those you'd be able to get a four- to six-bedroom home with three bathrooms and swimming pool, all within a perimeter wall. Botswana values are impressive, but they pale against the estate you would be able to get for the same price in Turkey, which remains one of Europe's lowest cost housing markets.

Turkey property specialist Rupert Chadwick reports that with £200,000 in your pocket you would expect to be able to buy a nine- to ten-bedroom Ottoman-style palatial villa with swimming pool in the Bodrum area, complete with a private beach set in 100 acres of estate.

Exchange latitudes and the same money would pay for a NZ$500,000,1,200 sq foot new executive townhouse with designer kitchen and garaging for a couple of cars in downtown Wellington, New Zealand, or a three to four thousand sq foot, four- to five- bedroom, two-storey suburban house in a fashionable suburb 10 minutes run from the city centre.

Over the water in Australia and you would have to travel further from one of the main urban centres to get quite as much property for your money. Closer in, and you would be in range of a good quality three-bedroom cottage in one of Sydney's inner suburbs. Buyers sticking to the Pacific Rim would be able to afford a 900 sq foot, two- to three-bedroom apartment with access to a communal pool at Glory Heights in Hong Kong. From the internationally sublime to the classic roses-around-the-porch, olde worlde English country cottage, the trading-across buyer with £200,000 would have *change from* the early 18th century Candlelight Cottage near the village green and church at Old Kidlington in Oxfordshire, which is currently on offer through KFR's Oxford office.



Candlelight Cottage, near the village green and church, Old Kidlington, Oxfordshire

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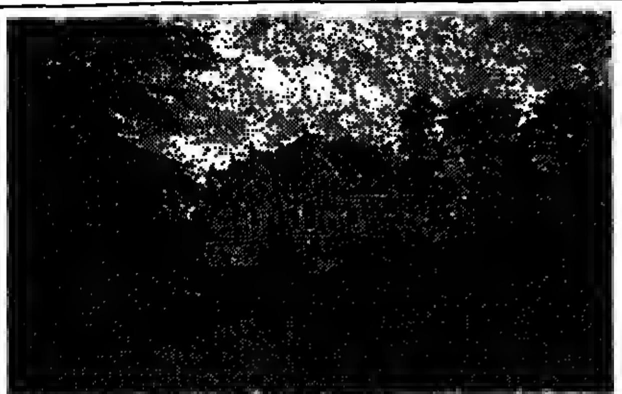
Savills, York. Tel: (0904) 620731. Contact: Andrew Black.
Savills, London. Tel: 01-499 8644. Contact: Henry Richards.



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Stow-on-the-Wold 2½ miles, Cheltenham 16 miles.
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Fine and substantial late period stone house occupying a wooded and totally secluded position overlooking the Cotswolds.
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Gardens and grounds, 2 paddocks.
About 18½ acres. Region of £900,000.
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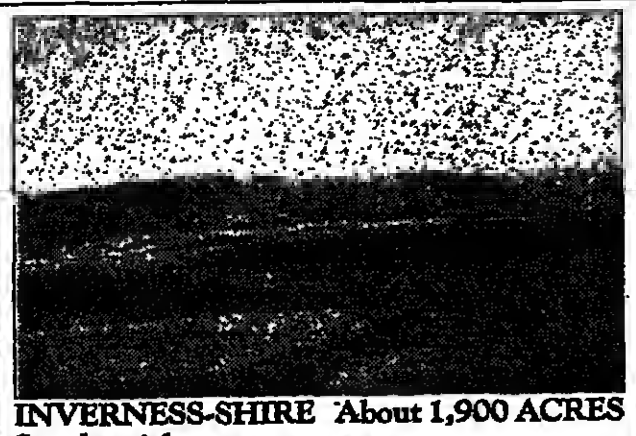

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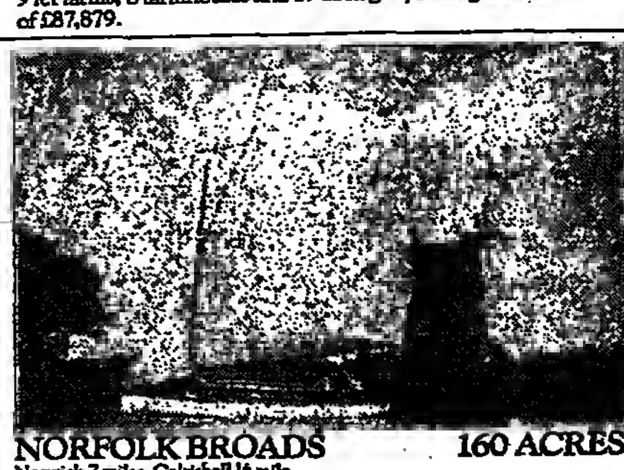

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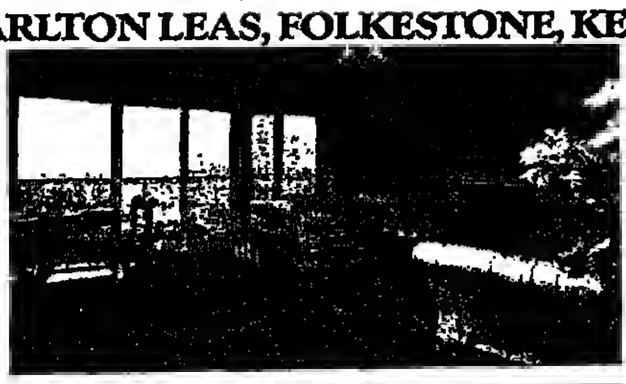

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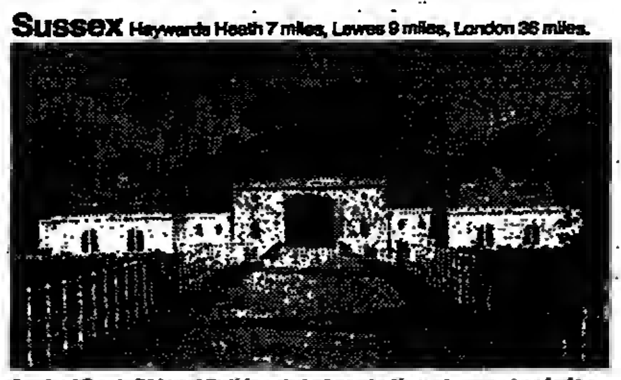
Sussex Haywards Heath 7 miles, Lewes 9 miles, London 36 miles.



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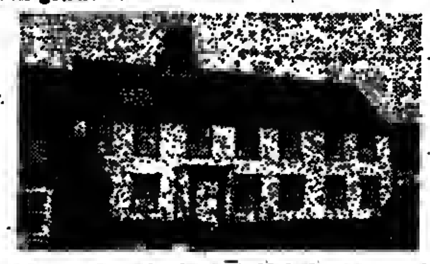

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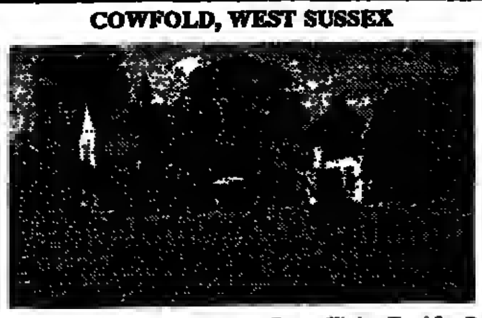

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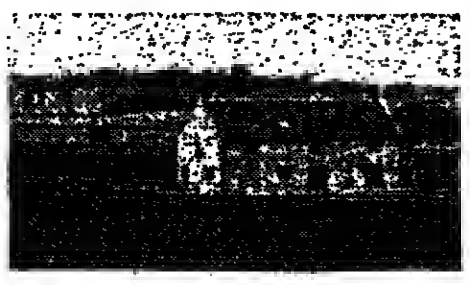

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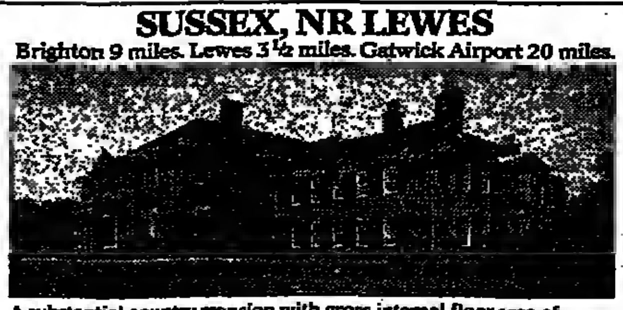

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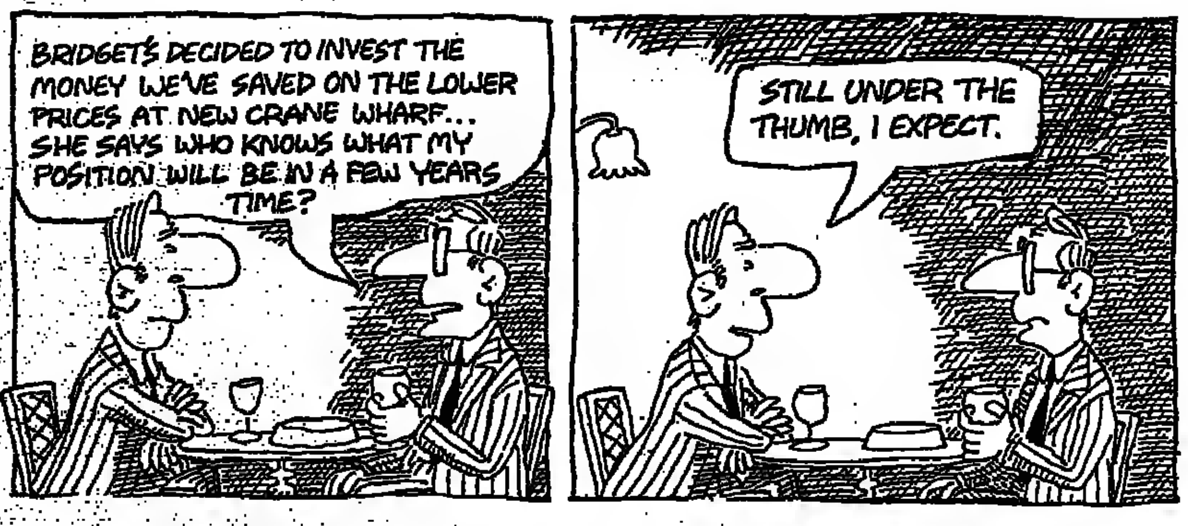

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Agents caught short

There just aren't enough country properties to meet the demand, explains John Brennan

It is the shortage of good properties, rather a dearth of buyers, that has been keeping down sales volumes in the country market this year. Debra Price, co-ordinator of Prudential Property Services' nation-wide Prestige & Country Homes (PCH) operation, reports: "Our biggest problem continues to be that the good properties are not coming onto the market. It is a lack of confidence among the vendors rather than the buyers."

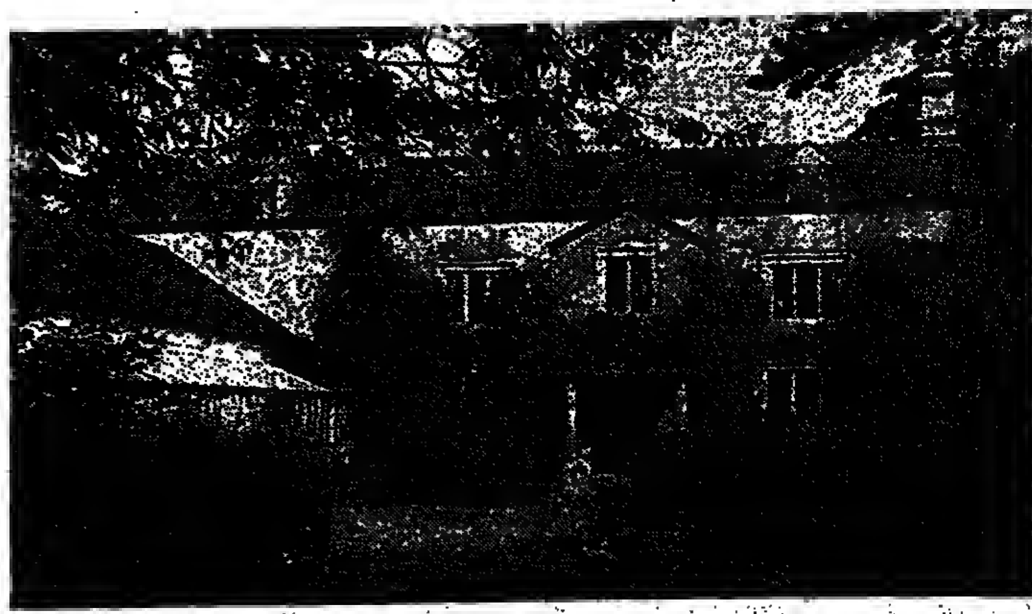
Lists of people keen to buy a good period property still outweigh a supply that has shrunk as existing owners take time to reconcile themselves to this year's step-back in prices generally. Not that they need worry too much about price cuts if the property does conform to the classic country house ideal. As Price points out: "Vendors obviously are affected by the news of price reductions, but people are beginning to live with higher mortgage rates and, for more expensive properties, that has not ever been too great a factor. There is competition for good properties and people are getting healthy prices."

Generalities about house prices always collapse in face of profound regional (and even sharply local) exceptions to any seemingly universal rule. While the market for first- and second-time buyers has been slower than at any time since the early 1970s – due mainly to the effects of interest rate rises coupled with the pre-August 1988 surge in sales to beat the deadline on termination of multiple mortgage relief – there are glaring inconsistencies in the levels of sales activity and prices being achieved in most of the other layers of the various regional housing markets.

As town houses in the £200,000-plus price range in Islington record some of the sharpest asking-price reductions in central London (according to the London Research Centre's figures), country properties in the same range north of Watford have been enjoying a mini-boom.

"In our northern area, which runs from north Wales across Derbyshire and Humberside and into Yorkshire, sales have been nothing short of phenomenal," says Price. "The offices there have been having some of their best sales months in July and August when, even in a normal year, it might have been expected to be fairly quiet."

Demand for period homes and smaller residential farms in the south-west has been equally firm throughout the year. The high-speed 125 rail services, modem-linked offices at home and mobile telephones have helped to speed the spread of Home Counties' prices towards the Devon borders throughout the 1980s; and the only material impact of the market down-turn there has been that cash buyer competition for homes this summer has tended to be between two or three keen bidders, rather than the dozen or more at the most frenzied periods of sales activity last spring.



Langhill, a five-bedroom, Grade II-listed Jacobean farmhouse in 6.5 acres at Moretonhampstead, Devon. Humberts in Exeter (tel. 0392-211-555) invites offers of around £375,000 for the freehold

Looking at the country house market generally, Savills' Ian Stewart says: "There are now fewer buyers around, but those in the market tend to be genuine and the conversion rate of these prospective purchasers is higher." He confirms that "the very top end of the country house market has remained relatively unscathed [by the down-turn elsewhere]. If anything, this niche market has thrived on substantial funds in individual hands, with cash purchasers favouring buying into a less competitive market."

Working out what does constitute most prospective buyers' ideal of a classic country property is no problem at all for Jeremy Blanchard, of Humberts. Asked to pin down that seemingly elusive concept, the shape and form that posterity will come to see as of the quintessential UK house of the 1980s, Blanchard's unhesitating response wouldn't surprise (but should thoroughly depress) all active architects. "Georgian," he declared.

Burgundy beckons

WITH BRITAIN'S reputation as a wine-consuming country growing, estate agent Miles Barber thinks UK wine buffs might like to look for their French holiday homes in congenial surroundings that are, at the same time, some way from the Channel tunnel beat.

And he underlines that while Burgundy is synonymous with wines, you don't hear a lot about the region in the present rush for properties in France.

He notes that the British, "long the largest buyers of wines from Bordeaux and Champagne, have become leading buyers overseas of Burgundy." But he adds: "It might come as a surprise to see how small is the wine-growing area in Burgundy compared with Bordeaux."

There are, however, vast sections of the region waiting to be discovered for second homes: mile upon mile of unspoiled, rolling countryside dotted with herds of white Charolais cattle, woods and streams, and tiny villages full of stone-built traditional farms – with good cellars, naturally.

Property in this area comes in a broad range, says Barber. A comfortable, renovated old house in the wine-growing sector is not going to be cheap; but away from the main vineyard areas, properties are still inexpensive and the countryside is pretty and pastoral.

A barn or small farmhouse needing a lot of work can cost as little as £5,000 in the more remote parts. Prices rise closer to the wine areas and to Lyon, but there is a seemingly endless supply of property in the country districts. Habitable houses start at £25,000 in a village and £30,000 in the country.

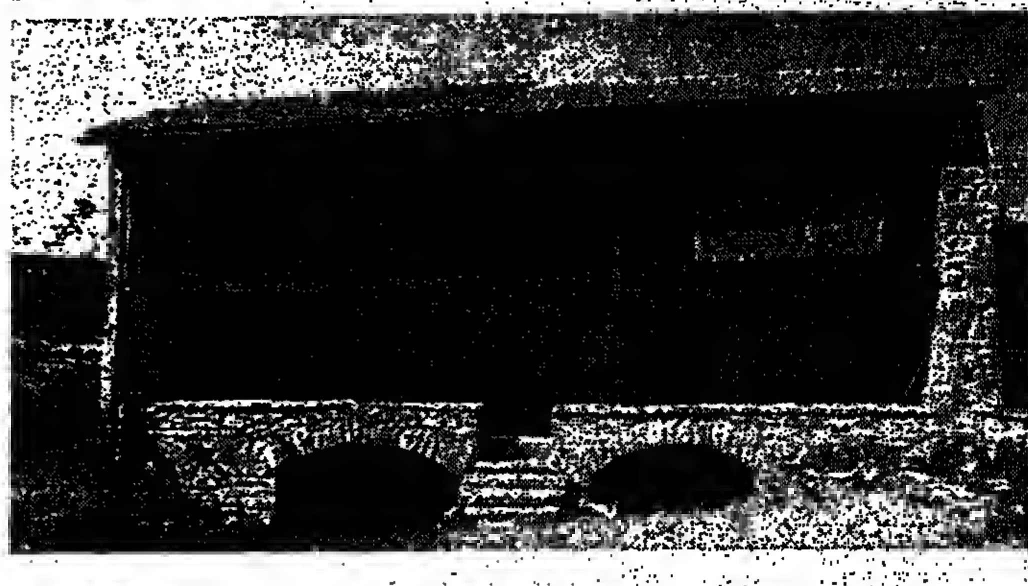
Burgundy is easy to reach. You can fly to Lyon, then have an hour's drive – say, to Cluny; or go down the motorway that passes close to Beaune, Chalon and Macon (about six hours from Calais or Boulogne).

The high-speed TVG train links Burgundy to Paris in 90 minutes; in due course, that will make it only four hours or so to London. By 1993, says Barber, "Burgundy will be practically weekendable."

If you go for wine country, it is better to settle a little away from the vineyards. They are attractive in summer but a bit "twiggy" when they have been cut.

There is a lot of alternative meadowland for cattle in this region, though. And the agency's particulars about one property read: "Look for nuns on passing tractors close to this house." The explanation is that nuns from a nearby convent run their own farm.

Less hazardous might be a farmhouse on the edge of a village with fine houses and a 12th-century church, west of Cluny. The property is built on stone-vaulted cellars and the raised ground floor is approached by a stone staircase, while there is also a covered terrace.



With an adjoining out-building, it could make a three-bedroom house in half an acre. Price: £24,400.

Very quaint is a restored farmhouse (pictured) looking over open countryside that had tenants until recently.

Here, a stone staircase leads to a verandah with a wooden balcony that runs the length of the property. There are two beamed rooms, three bedrooms and bathroom. Price: £37,000.

For the really keen restorer, there is a house that needs everything done to it – apart from the roof, which is new. It could make a four-room property and then be extended.

It is high above a valley between Cluny and Tournus, with views over vineyards. The price is £14,600 and "some of the best local wine is sold from the nearest building in the village down the hill."

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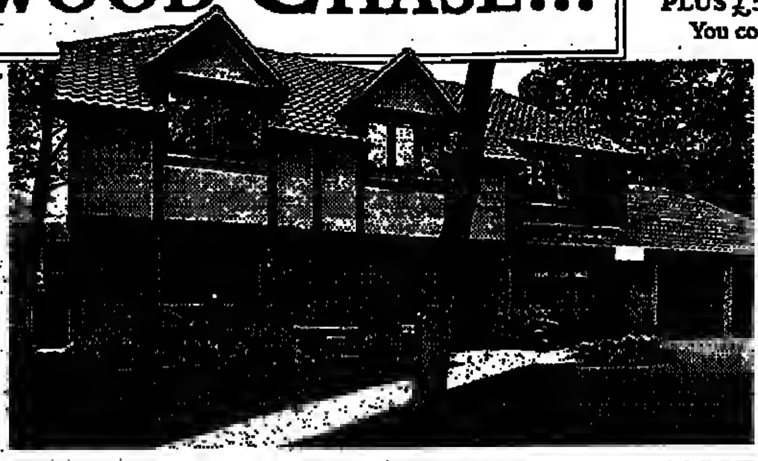

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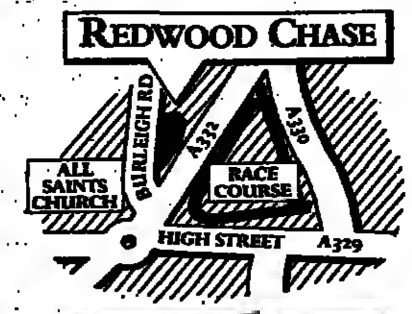

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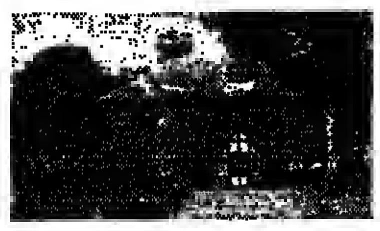

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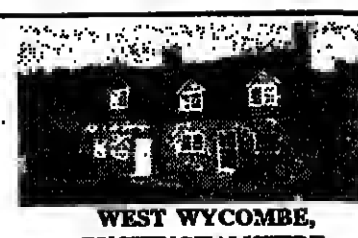

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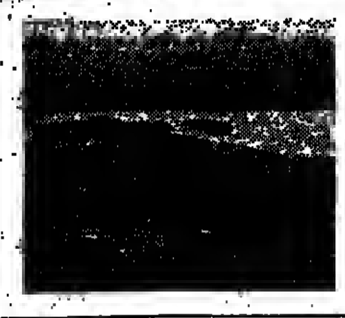

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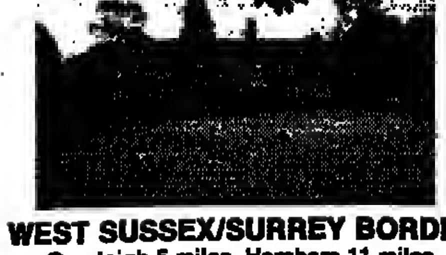

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PROPERTY

Cyprus catches the golf bug

Developers are jostling to build courses, reports ***Audrey Powell***

IF YOU LEAVE a return visit to Cyprus too long, you could find a radical change. Golf is about to hit the island.

In spite of its excellent climate and miles of open space, Cyprus has shown little interest in the sport. The only courses seem to be those in the hands of the armed services.

It won't be like that much longer, though. Ten different developers are said to be seeking planning permission for courses – indeed, some have it already. One is hoping to build an 18-hole course plus two hotels and 1,000 other properties – and then, probably, a further 18 holes.

It is surprising that a country which again is attracting retired people and large numbers of tourists has never offered this bait. There is so much development going on in the Greek Cypriot sector that you would have thought courses must have appeared – if only to encourage the upper-bracket tourists and lengthen the "season," something that every holiday area wants to do.

So, why has the Mediterranean's third largest island – 140 miles by 60 – remained so aloof from golf? Various reasons are given. For one thing, courses need a lot of water. But water is no longer a problem in Cyprus, you are told. Land is expensive and developers prefer to build hotels which bring in cash more quickly. But the tendency now is to scatter houses around courses – and these can be sold at 25 per cent more than elsewhere.

Funding does seem to have been one of the problems, however. You need a top designer, who will probably want a minimum of £200,000, and you will need at least 120 acres for 18 holes. Then, you will have to build a clubhouse. Think in terms of £1m-2m says Bruce MacEacharn, consultant to Prudential International.

Even so, MacEacharn adds, golf actually is "standing on its own" now. There were places where he could sell a debenture for £20,000; with 600 members, that meant £12m. "I think they are mad not to have built civilian courses in Cyprus before."

There might be other reasons, suggested one Greek Cypriot. Some of what seem to be miles of unused land could have agricultural or other zoning. Again, although the island is partitioned, some land in the Greek sector might well belong to Turks and not be available for such development.

Or perhaps it is simply that Cypriots are not very golf-minded. Either way, in the next 18 months to two years at least one, and perhaps two, courses should be ready for gentle play.

Golf apart, how is the property market looking? Taken literally, the answer is: much better than a few years ago when new property seemed largely to be plain, flat-roofed and rather characterless.

One explanation for the flat roofs with their unfinished appearance was that a family would have a house built and left that way, ready to add another floor as a home for its daughter when she married, as her dowry. Now, daughters are working and couples buy their own homes, so this is happening less. These days, groups of houses that might once have had that boxy look are topped with neat, pink-tiled, pitched roofs.

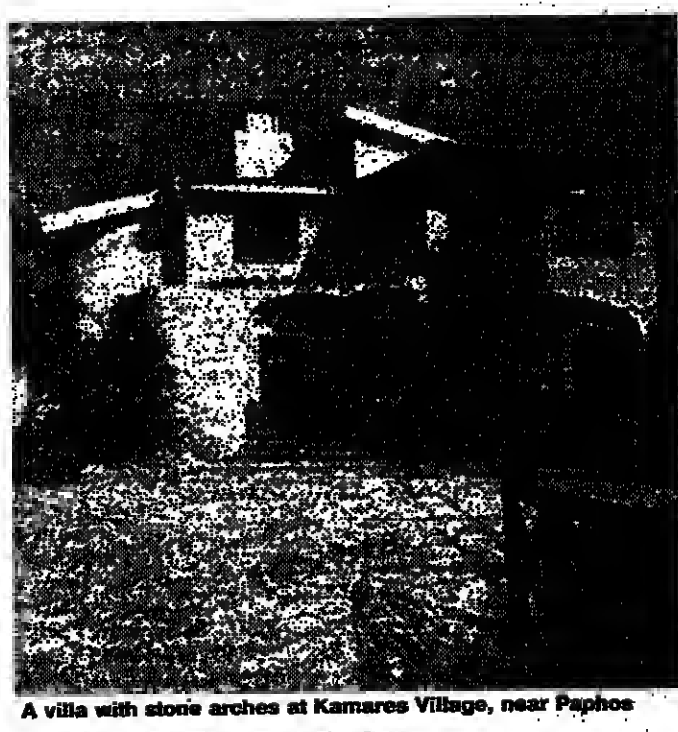
Another problem with roofs is the solar panels, effective for cutting water-heating bills but not doing much for the appearance of the property. Some builders have got that message and are disguising the panels.

From a planning viewpoint, Cyprus is profiting from the experience of others. The many hotels appearing along its coast are being kept low and spaced out. Rules vary with different towns but in one area waterside blocks must not exceed four storeys and must not be too close. Of course, you can't win. Critics say that, without some variety of height, they look like multi-storey car parks. Rules for housing developments also differ but, in general, only a limited area of a site may be built-on.

By UK standards, most property prices are reasonable, as is the cost of living. Even so, don't fall into the "pound" trap, which is similar to that in Malta. Estate agents quote prices in pounds – but remember these are Cyprus pounds, which have a different value from sterling. The exchange fluctuates but, roughly, £1.25 sterling equals C£1. Put another way, your C£20,000 house is costing you £25,000.

One other thing to be noted is that if, later, you come to sell, you can repatriate the original cost of the property right away. At present, though, profit can be taken out at up to C£5,000 a year only.

Now, a look at what there is to buy in two waterside areas that have grown rapidly:

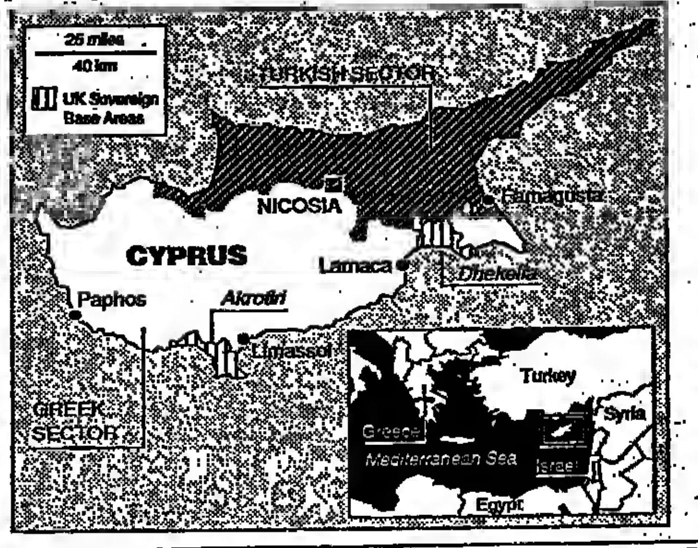


A villa with stone arches at Kamares Village, near Paphos

Limassol, business-orientated and cosmopolitan (its centre used to be its ring road) and Paphos, more casual with its harbourside restaurants and beaches.

Kamares Village is a major coastal project, a little way out of Paphos and slightly back from the sea, which is being developed thinly over the wooded slopes of four hills. When finished, only 5 per cent of the land will have been built-on. It could interest those planning retirement now or later.

Plots are available with uninterrupted sea and hill views. Or there are single, two-storey or split-level properties with two to four bedrooms, most with pools. They have the stone arches that the local people like – Kamares is Greek for "arches" – and there are verandahs, pergolas and patios. Alternatively, villas can be designed, built and decorated to a buyer's taste and pocket. But think in terms of £40,000 for two bedrooms.



The developer, Leptos Estates, tends to follow a pattern; its schemes have a clubhouse, pools and some shops. Completed versions, with a lot of greenery, can be seen maturing pleasantly in Paphos. Kamares will also have a hotel, and crafts and health centres. The company keeps an office in London to sort out any queries from British owners of its properties, and also has its own travel agency.

Quite different is the Limnaria project by Westpark Ltd within the town of Paphos, just across the road from the sea and a short stroll from the harbour. This is a 23-acre site that will comprise apartments, garden town-houses and villas. But it is designed also as an urban community with courtyards and shopping arcades amid a landscaping of olive, citrus and carob trees.

The houses have pitched roofs and cavity walls. Some have wooden balustrades and intricate ironmongery while others have walled gardens and parking and are meant to come mid-way between an apartment and a villa.

The first phase of apartments overlooking a courtyard, complete with fountain and arcades, is finished. This is going to be a sophisticated development that could attract executives going to the island (Cyprus is establishing itself as a business centre, with more than 3,500 off-shore companies). A typical two-bedroom apartment at Limnaria is C£35,000 and the town-houses start at C£57,000. The project is 15 minutes from Paphos international airport.

From Paphos across towards Limassol (and plans to make this road a dual carriageway will be welcomed; lorries loaded with grapes may look attractive – but not for long to drivers in a hurry). About 30 minutes before Limassol, you can turn off onto a rough track leading to the top of one of those hill sites of which Cyprus has so many. Here you find the Pissouri Villas scheme, with the first houses looking out over plateau land and vineyards to the sea. It is some 800ft above sea level – very rugged and rural.

Some of the houses – which seem more like apartments – are built on the steep hillside edge and are slotted between each other to give maximum terrace space while keeping together the "quiet" areas of neighbouring homes. You might feel the wide terraces lack privacy, but no doubt the views compensate. Prices from C£35,000.

Close by is the village, the centre of which is to be pedestrianised and cobbled; and a little further away is an intimate, pretty beach fringed with acacias. Developer of the villa project is Cybarco which belongs to the Lanitis Group, the second largest employer in Cyprus after the government.

Cybarco has a completely contrasting project within Limassol: white, diagonal rows of apartments with broad black bands, starkly-modern and designed for a different lifestyle (probably working couples with no time for gardening or view-gazing).

Different again, on a bay on the outskirts of Limassol – which is 35 minutes from Nicosia, the island'e capital – is a private, gated estate in richly landscaped gardens right by the sea. Developer Cosmo has included a range of apartments, bungalows and villas. In one corner are two 10-bedroom "palaces," one of which has been bought by a Saudi prince. There is a large communal swimming pool, pathways through the gardens, and fountains.

The complex is called Thera and its prices reflect the type of buyers it seeks for the expensive fittings that are included. A three-bedroom apartment is C£128,000; a five-bedroom villa with staff quarters, C£295,000.

Cyprus became a republic in 1960 after 80 years of British rule (a legacy of which is that most Greek Cypriots still speak English). For 15 years, though, a third of the island has been Turkish-occupied. So what of the political situation?

Efforts are being made by the UN Secretary-General to find a permanent solution to the problem of the island's partition. With Greece and Turkey both anxious eventually to become full members of the European Community, with the benefits that would entail, you are told there is "guarded hope" the solution might be in sight.

■ Properties mentioned are available through chartered surveyor Antony Loizou & Associates in Limassol (tel. 78-504) or in London through Prudential Property Services' international division at Wimbledon (tel. 01-947-7333).

PROPERTY

The designer who builds houses in the round

***Audrey Powell** explores a home where there's not an angle in sight*

AS YOU zig-zag along the coast road opposite Cannes, you could be forgiven for wondering if you are glimpsing the helmets of deep-sea divers left on the cliff, or a collection of Ali Baba pots. But you would be wrong both times. What you are seeing is a house designed by a man who abhors straight lines and right angles. Everything in nature is curved, he says. Why not our homes?

The property is constructed of terracotta coloured bubbles, or domes, joined by undulating tunnels. Inside, though, it seems perfectly liveable, even if you do need a map to find your way around.

You get advance warning that things are going to be unusual. The dramatic main gate is a pattern of huge aluminium half-circles and spokes which slides slowly into the wall as you approach. The house, still unfinished, is lower down the cliff-slope. It does not have different floors, just levels. Within the broad dome of a living room, a horizontal oval window directs your view to the bay. Circular windows high in the dome bring light from different angles.

There is a lot of fitted furniture. In a dining area, a half circle upholstered seat is attached to the wall and a round dining table is fixed in front. Should you decide mid-meal to eat outside, you release a lock and that part of the dome swings outwards into the garden – complete with diners – to rest against the outer wall of the property. The diners are now facing the sea and can continue their meal *al fresco*.

Tunnels (or are they verandahs, since cutaway circles open them to the sun and air?) lead to different wings. Following a curved, black-carpeted wall you find yourself in a bedroom with – as in all the bedrooms – a *circular bed and rotating* cylindrical wardrobe.

A narrow stairway, as in a castle turret, takes you to a moulded "hammock" beneath the *top of a dome* (or is it a loft, or a den?). It is carpeted, with sections cut out, and could be a sitting area where you chat with friends and look down on the room below.

There is a certain lack of privacy. Doors are few. Where found, they are oval and translucent, so that light glows through.

Swimming pools – circular, of course – are built into hollows in the cliff-side in front of the house. They are in the same pinkish-mauve polished stone as the floors and bathrooms, and tone-in with the soil. Water comes to the brim of the pools, spilling over the sides to shelves below, forming waterfalls. With water at this level in the pool, and nothing between the swimmer and the horizon, he feels that he is in the sea.

The designer is Hungarian-born Antti Lovag, 69. He is not, he says, an architect but prefers to call himself an "habitologue – someone who builds around people." He insists his homes are "functional" and he is annoyed with Sotheby's, the agent for the property, for calling it La Maison de Reve. It has nothing to do with a dream, he says. It is a perfectly practical house.

He points out that the marble-like floors can be hosed down; what simpler to keep clean? The vast, rounded security-glass windows pivot, making them easy to open and polish. A battery of switches on a black panel – as on an aircraft flight deck – control heating, lighting and air-conditioning from one centre. And the house is anti-seismic. Lovag claims that if there were an earthquake and the properties around collapsed, his would not because a dome shape is ideal to withstand earth movement.

Describing the construction method, Lovag says a metal frame is formed for the domes and covered with double layers of wire mesh. A mix of cement and polystyrene pellets is laid over and sandwiched between this, the polystyrene giving sound and thermal insulation. The technique is called *voile de beton*. Fibre-glass comes next and the outside then is coloured to match the earth. The inside is plastered and sometimes given a layer of carpeting – when not black, perhaps raspberry or orange. It is a common-sense building, says Lovag – and, yes, it does have a damp course.

He has been working on this house, between commissions, since 1981. But if a buyer wants it, it could be finished within a year.

This is his second major property of this type. The earlier one is nearby and lived-in. From this, you can see how the second will mellow. Pockets of earth are provided between the domes and in crevices. Creepers planted there are growing over the domes of the first property so that is is "disappearing" into the landscape. (Those growing over the tunnels are also establishing themselves inside, via the openings, so a creeper-patterned wall covering comes free).

The property is situated above Port La Galere, near Theoule-sur-Mer, 15 minutes from Cannes and 30 from Nice airport. It has two main living rooms with dining sections, eight bedrooms with bathrooms, a study, library, conference/cinema/games room, service areas, kitchens, staff bedrooms and a caretaker's cottage. There will be parking for 10 cars beneath the tennis court. Sotheby's in New York (tel. 606-4100) and London (408-5196) is joint agent with Consortium Immobilier in Cannes. The price is "in excess of £5m."

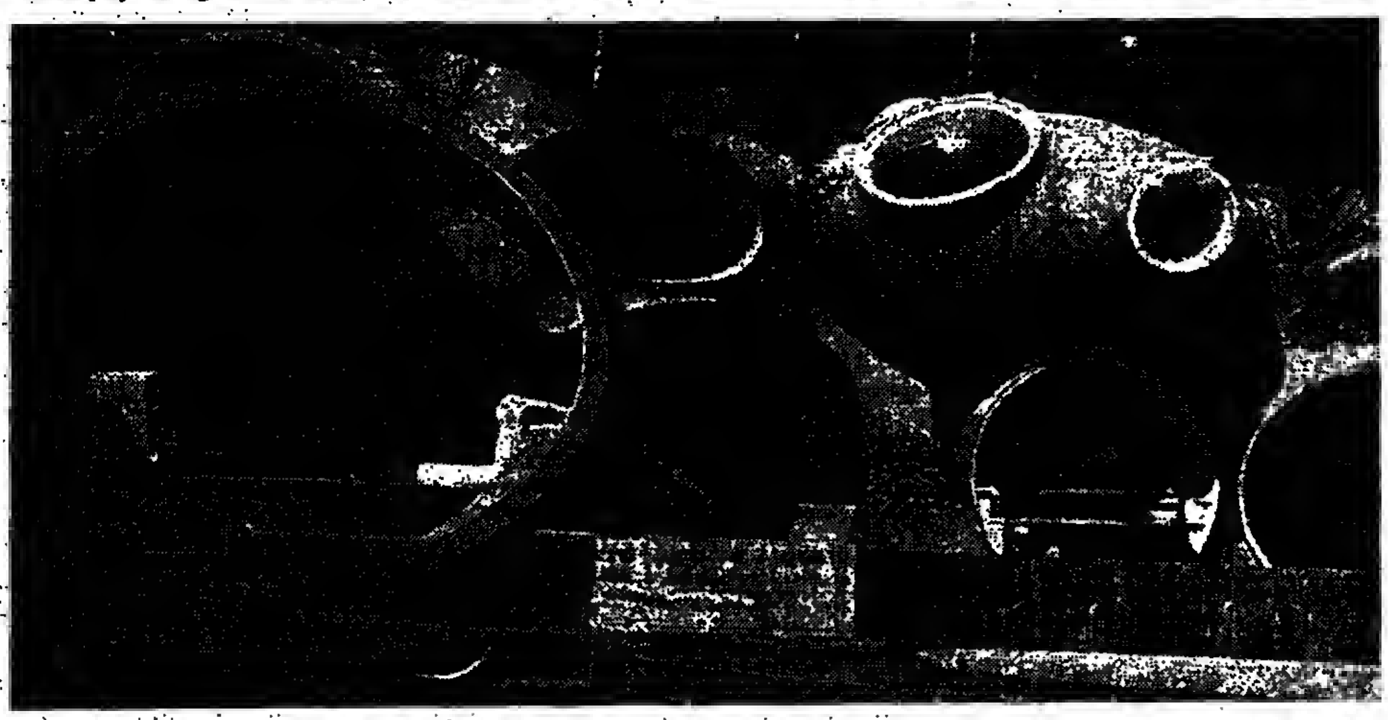
If your reaction after this is to yearn for a "proper house," you can find one not far away with all the straight walls and right angles you could wish. This is Villa Gould, one of the few remaining private houses on the waterfront at Cannes. It is as traditional as the other is not.

It was built in the 1920s, with ground and first floors around a square patio with fountain and a now-towering umbrella pine. It has been refurbished recently and is all glistening white paint-work, mirror walls, marble and chandeliers. There are salons, seafront terraces, two master and four guest bedrooms. Offers over £4m are sought.

The property belonged to society hostess and art collector Florence Gould. When she died, Sotheby's sold her collections. Now, it is offering the house.

It is interesting to note how this company operates in the property sector, since its approach is rather different from that of most estate agents. Sotheby's International Realty was established in New York in the mid-1970s to sell residential property. It began operations in London two years ago.

It handles only houses that are of particular interest, perhaps because they are historically or architecturally important. It refuses many more properties than it takes on, possibly accepting only one or two out of 10 offered. And as it has no wish to compete with other estate agents, it always works with a local firm.



Antti Lovag's dome home 15 minutes from Cannes . . . not a dream but perfectly practical, he says. The price? "In excess of $5m"

Swiss chalets that come from Britain

IF YOU WERE wandering round Lugano, Switzerland, admiring the chalets, who knows – you might actually be looking at something that should have a "made in Britain" tag. For 20 years, Guildway, which makes timber-frame housing at its factory near Guildford, Surrey, has had a contract with a Swiss builder and sends 18 to 25 houses a year for erection in the Lugano area.

Roger Burford, the managing director of Guildway (part of the Declan Kelly group), says these are normal chalet-type houses. But there are certain exceptions, like having windows that open inwards for use with shutters; gas-filled double-glazing for extra insulation; and highly-insulated front doors.

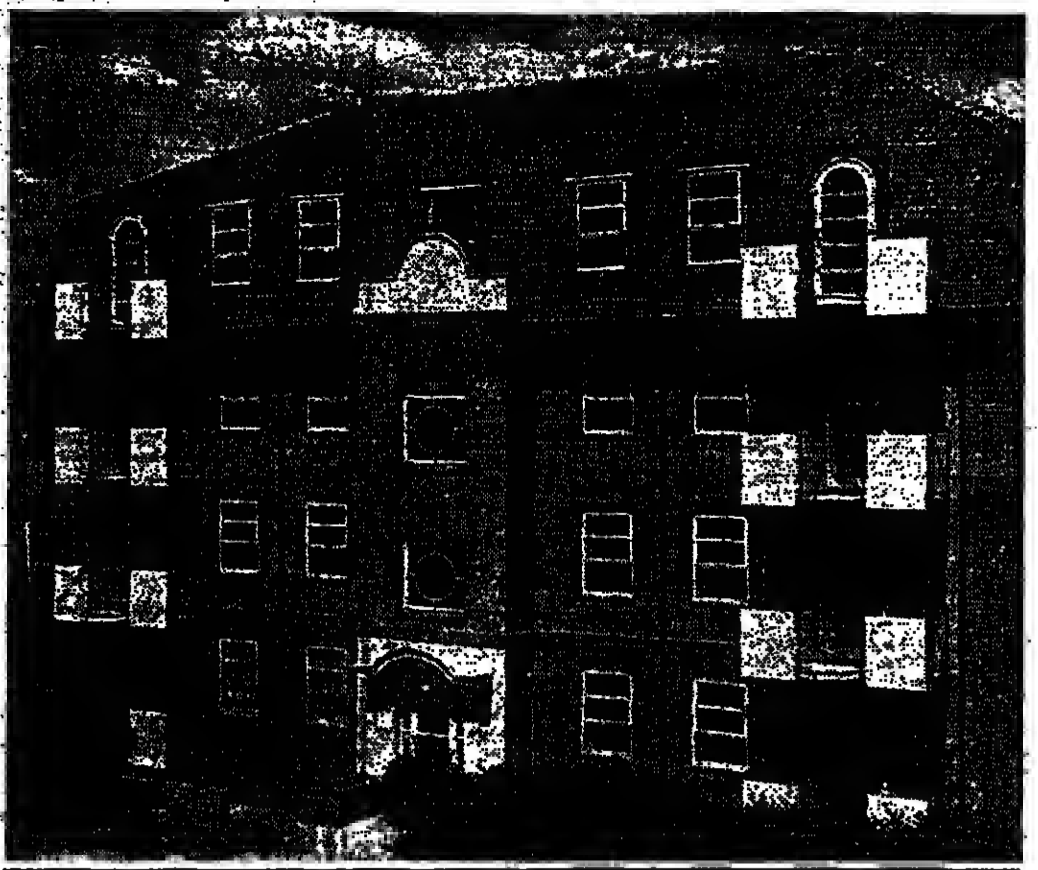
Why this apparent "coals to Newcastle" exercise? Burford suggests one reason is the speed of erection of the timber frame, which gives the builder a better cash flow. And he likes to feel the quality of the product has something to do with it,too. Whatever the reasons, this long-term order clearly is alive and well. This year, the builder has increased it to 30 chalets which, including land, probably will sell for £200,000-plus each.

A. P.

PROPERTY

Volume builders ride out market storms

But many serial developers are finding themselves stretched to the financial limit, says ***John Brennan***



The Woodlands, a former Newham Council housing estate where sale prices between £49,000 and £60,000 for studio, one-, two- and three-bed apartments have been attracting queues. A partnership scheme with the council which gives priority to, and maintains affordable prices for, local first-time buyers has enabled Barratt East London to sell-out the first phase of the development comfortably ahead of schedule. A second tranche of 17 one- and two-bed flats, which are eligible for Barratt's 10 per cent mortgage subsidy scheme, is now being marketed from £59,000 to £71,950 through the developer (01-555-3242).

PROSPECTIVE buyers need to know about only two kinds of residential developer: the volume builder and the serial developer. Knowing which type is behind any individual property provides a rough and ready guide to whether its quoted asking prices are for show or for real. As a working generality, volume groups are weathering the market storms and can be fairly patient about achieving the prices they need. But the serial developers are in varying degrees of trouble.

The operation of the Barratt group helps to illustrate the volume builders' approach to the slump in sales since this time last year. When the economic winds blow chill, Barratt stops building. Effective stock control, plus a management structure that keeps decisions close to the market in regionalised, substantially autonomous constituent house-building companies, enables Barratt to turn the development tap on, or off, as local conditions dictate.

You might expect Richard Reynolds, managing director of Barratt East London — and, consequently, in charge of a development portfolio that extends through the publicity- and transport-blighted London Docklands — to be the spectre at the feast of any meeting of the Barratt constituent companies these days. Yet, even in this particularly tough area of the housing market, he is able to apply the volume builder's approach to development to minimise Barratt's exposure and, in the process, to hold reasonably fast to asking prices.

On a single dock-side site, Reynolds can point out the line of second, third and fourth phases of a project where work stopped overnight once dipping sales figures triggered the alarm. The development tap is even more sensitive than that because every one of the various stages of fitting and finishing work within the shell of a building has to be sanctioned against sales performance. Before the electricians start work, or the plasterers, joiners and decorators are cleared to proceed with their particular bit of the jigsaw, Reynolds can either approve the costs or close-up that site.

As site values can represent 50 per cent or more of a property's completed costs, a volume builder's overall financial performance might well be more influenced by its land bank policy and uncompleted site holding costs than by its ability to switch production on or off at any individual development. But it is that capacity to respond to the market, and the spread of their other activities, which enables volume builders to survive a period of slow sales activity without panic. That is what sets them apart from the serial developers when it comes to sale prices.

Serial developers can be defined crudely as those who finance the next scheme from the profits of the last. They come in all shapes and sizes, *from substantial public companies* with only a few large residential schemes on their books, to semi-professionals converting a single house and buying the shell of the next from the sales proceeds.

In the case of the companies, a few major residential developments may be counterbalanced by non-residential activities. David Goldstone's Regalian Properties provides a clear example of this variation on the theme, with a high exposure to a relatively small number of sizeable residential developments well-countered by rapidly expanded commercial property activity.

Rosehaugh Co-Partnership is another developer with few high-value residential schemes under way, but with a big commercial property parent as a counter-weight. On the other hand, Kentish Properties failed because it had the limited number of big residential schemes that characterise a serial developer, but didn't have much else on which to fall back when its sales offices started to gather dust.

With individual developers, there are always a number of profoundly rich hobbyists who may well operate on the basis of one property at a time and who are building and decorating largely for the fun of it. They are in an even stronger position to set a price and stick to it than the market-sensitive volume builders and the serial developers with other interests. Beyond those, however, there is a mass of mini-companies, partnerships and sole traders who have been drawn into serial developing over the years and whose financial position is now *becoming tight-stretched*.

On the face of it, these serial developers are even closer to their market than the volume builders, and even more capable of taking snap decisions about containing costs. But this market sensitivity is of no account. They have nothing to sell unless they finish a scheme, and so they find themselves trapped in a situation where they simply cannot afford to stop spending to complete.

What makes the distinction between the volume builders and the exposed serial developers particularly relevant at the moment is the final eclipse of any faint hopes of a cut in interest rates before the winter. Developers relying on loan finance secured against historic forecasts of achievable sales values have, understandably, been reluctant to cut prices to compete in a thin market. Because of the time-scale on developments, they now find themselves in much the same situation as an individual who bought at the top of the market last year.

It would be a tough decision for an individual home-owner in that position to realise the paper loss by chipping 20 per cent or more from a 1988 purchase price to achieve a sale today. It could be commercial suicide for a developer to do so.

A group with a 50-flat scheme where the development finance was secured a year or 18 months ago against a prospective re-sale value of, say, £100,000 a flat, would be establishing a £1m hole in that valuation by accepting a 20 per cent reduction on the sale of any single flat. Hence the plethora of sales incentives, from free home furnishings to exotic holidays, which may well add up to that self-same £20,000 discount but which avoid carefully any suggestion that the base value of the new property has been undermined to that extent.

Funders and developers alike have been willing to go along with this kind of polite fiction so long as there remained any chance, however faint, that interest rates had reached a plateau and that all this year's missing buyers would turn up with their cheque books this weekend, or the next. These higher-risk borrowers and their equally high-risk lenders have had a strong mutual interest in hoping, like Mr Micawber, that something would turn up.

Apart from a few isolated (and, for the most part, fairly discreet) enforced private tender sales of conversion properties, part-converted houses and the odd smaller multi-unit development, there have been remarkably few instances of banks panicking into action about their property developer loans this summer. Now, however, Chancellor Nigel Lawson's recent dour warning about a further upward twist in rates looks like forcing the issue.

All through the summer, the City lifeboats have been rowing around the development market with bankers and agents hauling the saleable development properties of over-extended clients onto the books of those cash-rich clients able better to afford to wait until the market picks up. Those left with unsold developments still valued on the froth of the market can hardly sustain for much longer the fiction that 1988-based prices have any validity.

One bad set of trade figures, and a blunt warning on interest rates, is scarcely sufficient to mark any further downward twist in property sale prices generally. But they are a clear enough sign that there will be no early recovery in prices to mark an end to the present phoney war in the development market.

As re-financing options start to close, and the banks become increasingly cautious about renewing agreements to roll-up ever longer and heavier lines of development interest, the possibility of a more overt price battle in the residential development market is fast becoming a probability.

In central London, this price-cutting could become particularly savage as we head into a winter when the financially stretched developers of some of the larger unsold apartment blocks have no option but to break ranks with their commercially stable competitors and sacrifice any pretence of holding to historic prices in the interests of speed of sales. Out of London, the end of hopes for an early recovery in sales at last year's peak values suggests that development pricing will begin simply to reflect more clearly the falls from 1988 peak values that have already been established in the local re-sale housing market.

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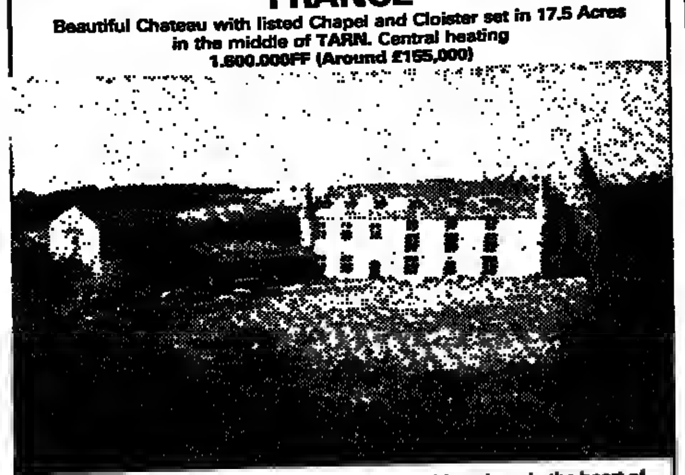

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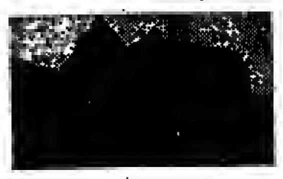

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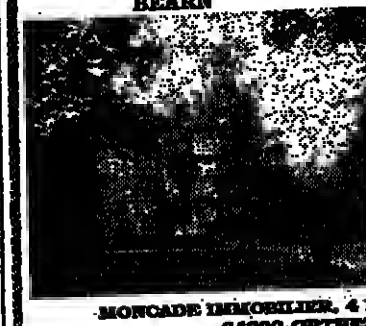

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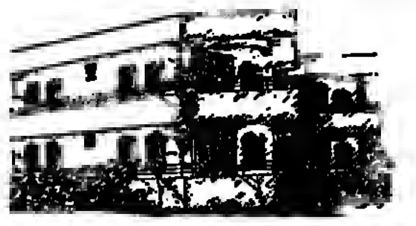

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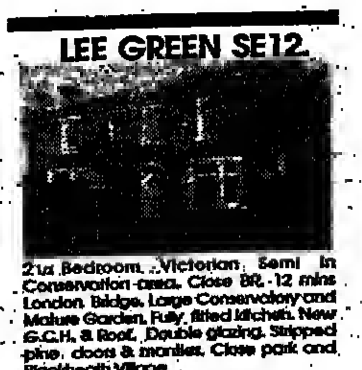

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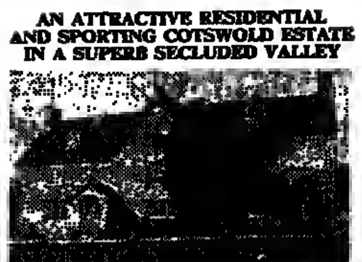

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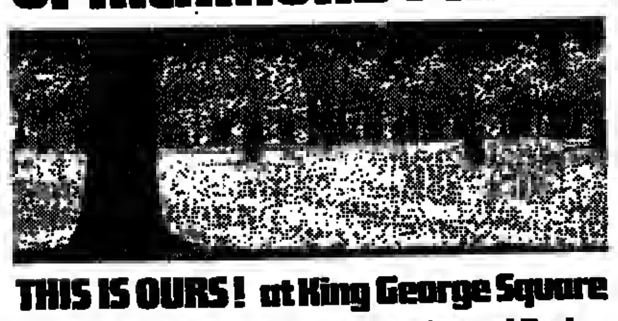

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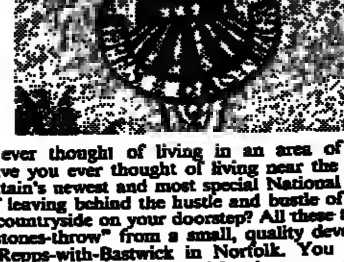

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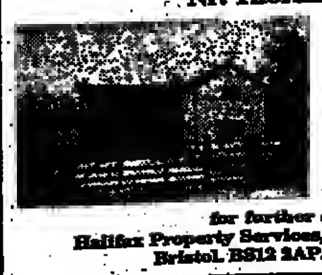

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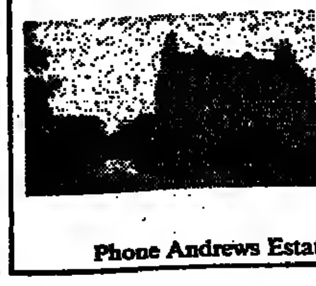

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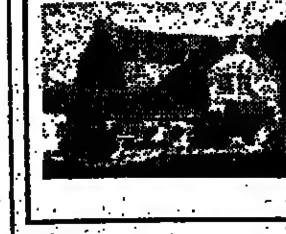

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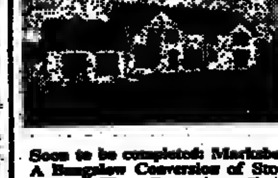

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SECTION II — Weekend October 7/October 8, 1989

The generation that turned its back on Ireland

Emigration from the republic is at its highest level in 20 years – and young professional people are in the forefront, reports ***Kieran Cooke***

THE PRIEST spoke: "And now let us pray for all those hundreds who have left from this parish and the many thousands who have gone overseas from this country . . ." The congregation at 11 am mass in the Church of the Sacred Heart in Belmullet, County Mayo, bowed their heads earnestly and prayed.

Last Sunday in Ireland was Emigrant Sunday, a day to remember all the Irish people who have emigrated over the years: the more than 40m in the United States who claim Irish ancestry, the many millions more in Canada, Britain, Australia and New Zealand – members of an ever-growing Irish diaspora spread around the world. Remembered more urgently, though, were those who had left recently.

Emigration, one of the most enduring features of Irish life, is on the rise again. Figures are notoriously unreliable but even the official statistics make stark reading. Departures are at their highest level in 20 years with nearly 180,000 people, or one in 20 of the population, leaving since 1982.

In the 12 months to April this year, 46,000 went – a jump of more than 14,000 on the previous year. No other country is experiencing emigration at that rate – and many feel the official figures are under-estimated grossly. Despite having the highest birth-rate of any European Community country, Ireland's population – now 3.54m – is falling.

Belmullet, a town of about 800 people, is very familiar with emigration. In the last century, particularly in the years following the potato famine, much of the population left for the US. The graveyards of New York and small towns in Pennsylvania are full of Belmullet people.

The town is just about as far west as you can go in Ireland: a bunch of houses at the end of a road through mile after mile of beautiful but desolate bog-land. Keep going and you will end up in Brooklyn. The winds gusting in from the Atlantic lay scrubby trees almost horizontal to the ground.

Fishing and farming of the poor local land are the only activities, but most of the men who have not left in search of jobs are on the dole. Last Christmas Eve, Belmullet's only industry – a factory making baby clothes – closed. Although there are hopes of another factory opening soon, many of the young girls and mothers who lost their jobs have taken the boat to England already.

Father Martin Halloran, the parish priest, is worried about the consequences of the recent upsurge in emigration. "People round here have always had to live with the thought of leaving," he says. "But now you find almost all those in the 20 to 30 age group have gone. A whole section of the community is missing. A lot of the vigour of the place has disappeared."

Clearly, Belmullet has seen better times. The old Royal Hotel in the town square is closed long since. The Palm Court dance hall, once open every weekend, stands looking out forlornly at the bay, its doors shut but for Christmas and some summer weekends when the emigrants return to see their families.

"People here, like most of the Irish, have a tremendous attachment to home," Father Halloran adds. "Most of them leave planning to return, but few actually come back to settle.

"They come at Christmas and for the fair in August. You notice all the English-registered cars and the bright American clothes. Then, they're away again. Only the young and the old are left behind. It is very sad and I'm worried for the future."

Previous waves of emigration were a *symptom of dire economic difficulties at home. Yet, the politicians are talking about an economic revival in Ireland and a new spirit of confidence. If things are getting better, why are so many going?*

The most immediate and obvious answer is that Ireland continues to produce too many people for too few jobs. Unemployment is running at about 18 per cent and would be higher but for various government-sponsored training schemes. Although there is evidence of a *slight growth in jobs recently*, there have been large-scale cutbacks in public sector employment along with the closure or rationalisation of many industries.

Irish entry into the European Community in 1973 led to a temporary boom in the economy and some emigrants, who had left in earlier years, returned. Since 1980, though, total employment has fallen by 100,000 and is now back to pre-1973 levels.

Another factor is that while times might be good for some, there is evidence of growing inequality and hardship for many in Irish society. Recent surveys – which have been disputed by the government – say up to a third of the population is living on or below the poverty line.

Other reasons for leaving are more difficult to quantify. Some people are seeking adventure and freedom from the sometimes claustrophobic atmosphere of Irish family life. One emigrant in London says there is a lot of romance about home. "I come from a small town called Athenry. They've got a song about it. There are wet eyes in the pub when it's sung. But have you ever been to Athenry? It's a dead town. I'd never go back."

What concerns many people is that Ireland is now losing its brightest and best. "No longer shall our children, like our cattle, be brought up for export," said Eamon de Valera, the great helmsman of Ireland's post-colonial development. Yet, that is precisely what is happening. The overwhelming majority of those leaving are under 25.

During the 1970s Ireland made massive investments in education, much of it financed out of borrowings. Such spending is, in part, responsible for a national debt that now stands at I£25bn, one of the highest per capita in the world. But Ireland is now losing the generation it went into debt to educate. It is estimated that about 30 per cent of the graduates of universities and colleges are leaving the country each year. A report by University College, Dublin, found that the proportion emigrating was even higher *in some faculties*: 35 out of 63 recent graduates in veterinary medicine, 23 of 39 in architecture, and 105 of 189 in engineering.

Substantial numbers of doctors and nurses are leaving, too. Agencies representing hospitals in the US, the Middle East and Australia hold special "medical fairs" in Dublin hotels to recruit staff. Philips, the Dutch electronics company, has flown whole engineering classes of final-year students to the Netherlands for interviews. Irish computer and business administration graduates have flooded into south-east England; many of the City of London's dealing rooms are crowded with young Irish people.

Lorcan de Brun is a mathematics graduate of Trinity College, Dublin, now working in a small London publishing company. In common with many of his contemporaries, a combination of lack of opportunities at home and better pay in England made him leave Dublin. "The pace over here is faster and more is expected of you, but we're getting experience we couldn't get in Ireland," he says.

The Irish taxation system is another reason graduates are leaving. Taxes in the republic remain among the highest in Europe and the young, single wage-earner can pay up to 60 per cent tax on gross income of more than I£12,336. Many of these expatriate graduates will buy flats or houses in Britain. And although they might reminisce about Ireland, its easy-going ways and the great "crack" (jokes and fun) to be had at home, few are likely to return.

Irish politicians are accused regularly of not doing enough to stop what is seen as the haemorrhage of emigration. The government points out that many who leave are so-called voluntary emigrants who could, if they wished, find jobs at home. But emigration has become something of a cult: once one or two members of a class leave, others go abroad to join them. In the age of cheap jet travel, a job overseas has become an easy option. Some in the west of the country are known as "jet navvies," using the newly-built Knock airport to fly back every six weeks or two months from labouring jobs in England.

Apologists for the present state of things point out that, for the Irish, emigration is an age-old tradition; a necessary safety valve in a society of scarce resources. Early in the 19th century, Ireland's population was close to 10m. Robert Foster, in his book *Modern Ireland 1600-1972*, calculates that at least 1m and possibly 1.5m departed between 1815 and 1845. He adds: "Between 1845 and 1870, at least 3m left. By 1890, there were 3m Irish-born people living overseas . . . there was, in a very real sense, an Ireland abroad."

The emigrant's hopes and sadnesses are commemorated in scores of Irish songs. For some people, there were *lumps of gold waiting* to be dug in California or on the streets of London. For others, there was the terrible wrench of leaving family and friends, probably never to return. Many in the last century survived famine only to die in the "coffin ships" that took them to the new world. Emigration has continued through Irish nationhood; nearly 1m have left the country in the more than 60 years since independence.

While the US absorbed the majority of early Irish emigrants, Britain was the main destination at the time of the Second World War. Many hundreds of Irish girls entered the British nursing service in the 1940s while, for Irish men, the '40s and '50s were the time of heavy construction work and road-building, the era of songs like *McAlpine's Fusiliers*: "The year was '39, the sky was full of lead/Hitler had gone to Poland, and Paddy to Holyhead/We sweated blood and washed down mud/With quarts and pints of beer/And now we're on the road again/With McAlpine's Fusiliers . . ."

The Irish government's defenders say the situation is very different now; that the new emigrants are educated and aren't condemned to a life of manual labour. But critics point out that there is a large group of emigrants with only minimal qualifications. These people – for the most part, from the housing estates of Dublin or Limerick or small country towns – feel Ireland has failed them. They have a deeply-held conviction that the country still runs on the old "jobs for the boys" principle. They are cynical about their politicians and only too ready to escape a society they feel offers them no hope.

Father Padraic Brennan has surveyed more than 600 students in the village of Kiltimagh, in the west of the country. More than 40 per cent emigrated with only minimal qualifications. "Most of the graduates can look after themselves," he says. "But what about all these others? It's the same old pattern. London has plenty of casualties of the 1950s' emigration. In a few years, it will have the casualties of 1980s' Ireland."

Brennan says that for some of these young people, the situation is worse than for previous emigrants. "In the old days, the emigrants who went were from farms and were used to hard work. But, now, these young lads go from the towns and the only jobs they can get are manual ones. Often, they just can't stand the pace."

Advice and support centres – run mainly by the Catholic Church in London, New York and Boston – say they receive thousands of enquiries and calls for assistance from the young Irish. In London, many are forced to sleep rough. In the US, many are working illegally and live in fear of the immigration authorities. Some are exploited but are unable to report their employers. Recently, the Irish government has made a small amount of money available to groups looking after emigrants' welfare. But there are fears that virtually a whole generation is being lost.

The cost of this emigrant outflow to the Irish exchequer is estimated to be more than I£90m a year. While that *figure* might be balanced by savings from shorter dole queues at home, the social consequences of continuing large-scale emigration are substantial. The departure of the young saps the vitality from Irish society. It preserves a deeply-rooted conservative ethic in the country and it turns towns into lifeless, fossilised outposts.

In one town, the local football team couldn't join the league because most of its players had left. In another, the local hotel-owner couldn't find the musicians he had booked for a summer function: they had emigrated en masse. The chairman of the local community council sums up the situation with a sign above his desk: "The only difference between this place and the Titanic is that they had a band."

The Long View

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The absence of a powerful consumer lobby in the financial services industry can make the investment watchdogs feel rather lonely

SINCE OUR new financial services regulators tend to get such a bad press, I think it is my job to do a little to redress the balance. It might, at any rate, take our minds momentarily off 15 per cent interest rates.

All right, the Securities and Investments Board and its rag-gle-taggle band of acronymous self-regulatory offshoots make up a fairly easy target for the journalist seeking to score easy points off unwieldy bureaucracies. But it is a great pity that more of the average commentator's venom is not directed instead towards some of the dubious practices that go on in the investment industry.

Take the row over so-called broker funds. These are private arrangements between firms of intermediaries and insurance companies, or unit trust groups, whereby the brokers retain management control over client portfolios and switch them between different sub-funds.

The switching is either to improve investment performance, if you believe the intermediaries, or to generate management fees or commissions, if you take a rather more cynical view.

Earlier this year, the SIB cast its eyes over broker funds and, in a discussion paper published in July, came to the fairly firm conclusion that they amounted to a rip-off. Protests from the industry are now coming to a head as the deadline for responses nears.

There are several objections to broker funds. One is that there is an obvious conflict when an independent intermediary puts his client into his own broker fund when he is supposed to be giving "best advice" on opportunities right across the market place. Another is that the switching can be very expensive for clients. With unit trusts, each move from one fund to another involves a commission of as much as 3 per cent, and the penalty of a bid-offer spread as well. It is different for insurance funds, where switches often are cheap or even free. In some ways, though, this is worse because the costs are borne by the underlying funds – that is, by other investors.

This problem is aggravated by the prevalence of historical pricing, meaning that it is possible to deal today on yesterday's prices. When markets move sharply it is, therefore, possible for sharp brokers to take advantage. The profit from such activity is, effectively, made at the expense of passive investors.

The difficulties of historical pricing cropped up two years ago when the SIB prepared to take over the regulation of unit trusts from the sleepy officials at the Department of Trade and Industry. The SIB discovered that not only sharp intermediaries but also the actual unit trust management companies were sometimes taking advantage of the ability to deal at yesterday's prices.

This happened because unit trust companies are allowed to hold a stock (or "box") of units to cope with day-to-day buying and selling by investors. There are perfectly sound reasons for this practice. But some companies were making big box-dealing profits, in part by ordering the creation (or liquidation) of units at out-of-date prices, to the detriment of investors in the funds.

The response was to introduce forward pricing – that is, you deal today at a price to be set in line with the stock market later today or tomorrow. That leaves no scope for funny business. Unfortunately the SIB wavered in its resolve in the face of vested interests and, at present, there is a rather messy mixture of historical and forward pricing.

Such murky areas in retail investment are mirrored in the professional scene. Another recent SIB probe has been into "soft commissions" which have become a significant feature of institutional investment management. Normally, you might think, a commission would be paid in cash to a stockbroker and that would be the end of it. In practice, though, the broker might be asked to rebate part of that flow of commissions in the form of various services, or even goods. Brokers traditionally have supplied investment research. Why not extend the principle?

In effect, an investment manager might be getting a kick-back from the broker. It is a reason big funds still carry on so much agency dealing in London, rather than dealing "nst" directly with market-makers, as they have been able to do since the Big Bang changes of 1986. As well as getting a management fee from his client, the fund manager is benefiting from commissions charged directly to the fund. There may be valid reasons for this, if the client knows full well what is going on. But quite often, it is safe to assume, he doesn't. And, in any case, the system fundamentally is wide open to corruption.

Here again, a discussion period is about to close and the SIB will retire to consider its policy. This can be a severe test for its determination *because it can find itself* caught in a bit of a vacuum. On the one side will be a towering pile of furious letters from investment industry practitioners protesting at the threat to profitable business methods. On the other will be almost nothing except, perhaps, a response from the Consumers' Association on subjects of interest to small investors.

Any watchdog can get a bit disillusioned if he feels there *is* nobody to protect. Perhaps he would do better to wag his tail and make friends with the burglar instead. The consumers are, of course, out there by the million. But if they do not understand the risks they are facing, or even know that the rip-offs are happening, it is hard for them to become involved.

As the life assurance salesmen say, what is the point of disclosing commissions to Mr Prospect if he never shows any spontaneous signs of wanting to know? Ignorance can be bliss. But it can also be costly.

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FINANCE & THE FAMILY: THIS WEEK

An easier way with PEPs

The Inland Revenue yesterday announced plans to amend the Personal Equity Plan (PEP) regulations to make it easier for new share issues to be transferred into PEPs. Under existing rules shares that are not on offer to the public are not eligible for transfer.
However, in June the Revenue gave the go-ahead for Abbey National shares to be transferred into a PEP, even though the shares were available to Abbey members only. The Government now proposes to extend that concession to other cases, where shares available (in the water companies, for example) to employees only might not qualify.
No mention was made of closing the current loophole that allows new issues of investment trusts to get round the restriction on how much can be invested in stand-alone investment, or unit, trust PEPs. *John Edwards.* **See Page III**

How red tape hijacked Big Bang

Kevin Goldstein-Jackson contends that private investors are still getting a raw deal three years after the City revolution. **Page VI**

Minding your own business

Roger Bardell stresses the importance of knowing the financial side of one's small business, while **Paul Abrahams** tells the story of two people who learnt about the antiques trade — the hard way. **Page VIII**

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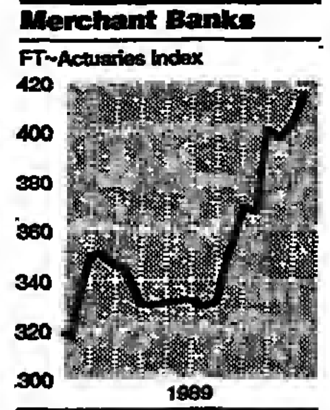
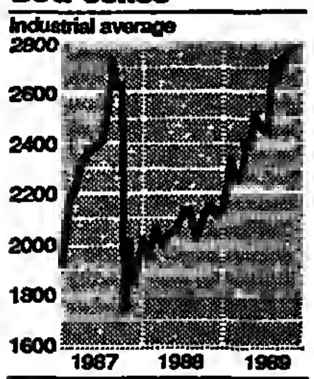
Merchant Banks
FT-Actuaries index



Dow Jones
Industrial average



Rumours lift merchant banking sector

The takeover speculation that has kept the merchant banking area of the market bubbling recently, erupted again this week, ironically on the day when the market was sent tumbling by the one percentage point rise in interest rates.
Morgan Grenfell led the sector sharply higher after a story that the near 21 per cent stake held in the company by insurance broker Willis Faber had been sold to a European bank.
Both Morgan and Willis came out with firm denials of the story but not before all the merchant banking stocks had risen sharply. Market men remain convinced that something is afoot at Morgan Grenfell.
Meanwhile Kleinwort Benson was bolstered by the bank buying in more of its own shares. Stockbrokers' analysts say that, bid stories apart, the sector will be helped by the continuing high levels of demand for the banks' corporate finance activities. *Stephen Thompson*

US stock market hits record high

The US stock market surged ahead this week, with the Dow Jones index hitting new all-time peaks.
Fuelling the rise was the strong trend in the dollar that was maintained in spite of interest rate increases in Europe and the UK. Buying was most active in blue chip stocks, which moved ahead in spite of weakness in IBM.
A further boost upwards was provided by the offer by Donald Trump to buy American Airlines for more than $7bn. *JE*

Halifax lifts profits

Halifax, the largest building society in the UK, raised its pre-tax profits by 6.4 per cent to £237.7m from £223.3m for the first six months despite the downturn in the housing market which has resulted from rising interest rates.
Halifax said that gross mortgage lending reached a total of £4.155bn — representing 97,000 loans for home purchases — in the six months to July 31. There has been a sharp fall in the number of loans this year: gross mortgage lending reached £5.55bn, representing 150,000 loans for house purchases, in the first half of 1988, and Halifax said the level of lending activity now is closer to that seen in the first half of 1987.
The number of loans to first-time buyers dropped from 58,000 in the first half of 1988 to 39,000 in 1989. Meanwhile, net wholesale and retail receipts for the first six months fell from £3.09bn to £1.9bn. *Sara Webb*

Share dealing costs to fall

The cost of share dealing will fall on January 1 next year. From that date, stockbrokers' commissions will no longer attract VAT (which is currently levied at the standard rate of 15 per cent).
Unit trust managers' fees will also become VAT-free — although, confusingly, the fees charged by stockbrokers for managing funds will continue to attract the tax.
These exemptions, which will be announced by the Customs & Excise early next week, are prompted by European Community law.
They will bring immediate savings for individual shareholders — although some stockbrokers may put up their commission rates, since the exemption from VAT will leave them worse off as they can no longer recover all of the VAT they have to pay out. *Richard Waters*

London

Base rate rise brings down a house of cards

FROM THE beginning of the week, at least, no one could have doubted that a 15 per cent base rate was on the way. That didn't make it more welcome when it arrived.

But, however insensitive it sounds in the face of higher mortgage rates and a further squeeze on corporate profits, maybe the lesson will be worth learning.

For longer than many other judges of the Government's handling of UK economy, the London equity market has been willing to hold up a slightly higher card than the performance justified when it came time to give marks.

Call it home court advantage, call it paying too much attention to the coach's plausible post-match commentary, or call it a tendency to give excessive credit for improvement over the way things used to be.

The events of the past week, however, have brought those cards tumbling down. What has been most salutary perhaps is the realisation that the Prime Minister and the Chancellor aren't really calling the shots anyway. If they had had any choice on timing, rather than meekly following the Bundesbank's lead, they would have not chosen to make the move, with the resurgent Opposition party in conference and a rendezvous with their own activists only days away.

At the end of the week, one could honestly ask (and not just in London), what had all this achieved? After heavy intervention, sterling ended the week at DM3.0359, $1.6045 and 91.4 on the trade-weighted index, barely higher, barely lower and unchanged respectively. And, despite an ebullient Tuesday in the wake of a strong Wall Street performance, the FT-SE 100 lost 21.9 points in the five trading days, to finish at 2277.5, its lowest close since July 26.

With few now talking of economic miracles, eyes which were once lifted to new peaks are now focused on a long plateau and hoping desperately that some joker has not cleverly concealed a crevasse somewhere ahead. Warburg Securities, for example, is now talking of a FT-SE trading range of 2,200 to 2,275 for the rest of the year.

But if lowered expectations lay the foundation for a return to basics, the pain of the week may not be wasted.

It was not the most auspicious weather in which to prepare to launch a new issue. The seas looked choppy indeed at the end of the slipway. At least, the Government had already signalled last week the delay of electricity privatisation, so it was not confronted with the embarrassment of appearing to back off in the face of uncertain markets.

Two prestige private offerings will have to grin and bear it. Hays Group, the business services company, is preparing to come to market next week with the largest non-privatisation issue since October 1987. It aims to raise £170m or so.

Inevitably, it has had to shade back the aggressiveness of its price-setting this week. This is not just a matter of watching comparable p/e ratings fall, but the desire to allow enough leeway to ensure that the issue gets off to a confident start and is not burdened for years with the taint of "flop."

Overall, Euro Disneyland will be raising even more than Hays, but only about £150m of this from Britain, and only half of that in a public offer for sale. Yet, anything with an Anglo-French flavour could have chosen a better week for its hoopla than one in which Eurotunnel shares lost nearly a fifth of their value, falling 127p to 568p to London.

The company said the expected cost of the Channel tunnel had risen at least to £7bn; more worrying was the disarray between Eurotunnel, the contractors and bankers. But UK shareholders might have been heartened by the *sang-froid* with which the whole affair was greeted on the French side. (With Eurotunnel, of course, Paris often does a fair bit of trading before, rather than after, such announcements.)

Away from the interest rate and foreign exchange battlefields, corporate life went on, but the sounds of the distant cannon echoed loudly, and nowhere more than in empty stores.

Sears, the retail group which includes Selfridges as well as several leading shoe chains, reported a 13 per cent decline in first-half profits to £80.5m, and Geoffrey Maitland Smith, the chairman, said he would be "very pessimistic" about the second half if there was another increase in mortgage rates. He was not kept in suspense for long.

At least his company had not been racked by management upheaval, like Next, the wonderstore of the 1980s which lost its way long before the decade ended.

In perhaps the last results on which it can point a finger at the ousted George Davies, Next saw interim profits fall to £16.2m, only barely over half the level in the same period of 1988.

Worse will come at the year-end, with exceptional provisions of more than £50m expected, enough to pull Next into a pre-tax loss for the 12 months. Fortunately for shareholders, extraordinary gains from disposals should just about cover the dividend, even though earnings will not.

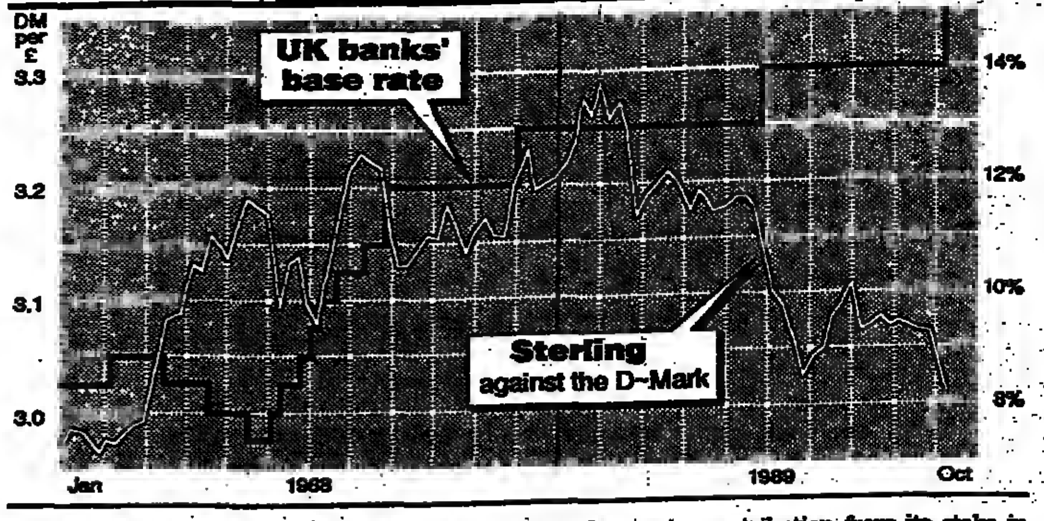
Larger by far than either of these, and with considerably better news in its Louis Vuitton bag, was Guinness, which increased interim pre-tax profits by 34 per cent to £254m. The drinks group was buoyed by strong demand for whisky from Japan and an initial £30m contribution from its stake in the French luxury goods group LVMH Moët Hennessy Louis Vuitton.

Australian Mutual Provident bid £1.1bn for Pearl Group, in cash terms, the largest takeover offer for a UK insurer. AMP, the biggest insurance group in the Antipodes, had signalled its acquisitive intentions through the purchase of London Life earlier this year. Pearl forcefully rejected the bid, and its shares finished the week at 648p, 42p above AMP's offer price.

Far more friendly was the merger between MB Group, the building products and cheque-printing rump of the old Metal Box which found a willing partner in Caradon. Notionally, MB is buying Caradon — famous for its Twyfords bathroom products and Everest double glazing — for £338m, but the executive management of the merged group will be led by Caradon's Peter Jansen.

On Tuesday, trading resumed in scandal-hit Ferranti International Signal after a three-week suspension. Opening at 48p, after 72½p previously, they ended their first day back at 55p in heavy volume which fuelled rumours of stakebuilding. By Friday, however, the ascent of this balloon had been tethered by the general market weakness and the shares closed at 59p.

Clay Harris



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2277.5	-21.9	2426.0	1782.8	Base rate increase.
Amstrad	64	-6	193	56½	Prelims. Oct.17/interest rate rise.
BAT Inds.	850½	+29½	943	447	Brokers' recommendation.
BPB Inds.	238	-25	275	218	Brokers downgrade.
Barratt Dev.	174xd	-11	209	165	Hit by interest rate rise.
Caradon	525	+51	535	318	Agreed bid from MB Group.
Delta	344	+13	366	264	Tomkins reveals 2% stake.
Eurotunnel Units	568	-127	1172	378	Cost overrun/rights issue planned.
Glynwed Int.	289½	-42½	339	257	Profits downgrading by analysts.
Jaguar	731	+161	949	264	Continued bid speculation.
Kleinwort Benson	375	+20	387	277	Buys in own shares.
Morgan Grenfell	412	+76	418	257	Takeover talk despite denials.
Pearl Group	648	+96	648	390	Bid from AMP.
STC	320	-19	394	261½	Chf Exec sells shares/downgradings.
Willis Faber	252	+12	271	212	Morgan Grenfell stake sale denied.

Wall Street

Return of the Nifty Fifty

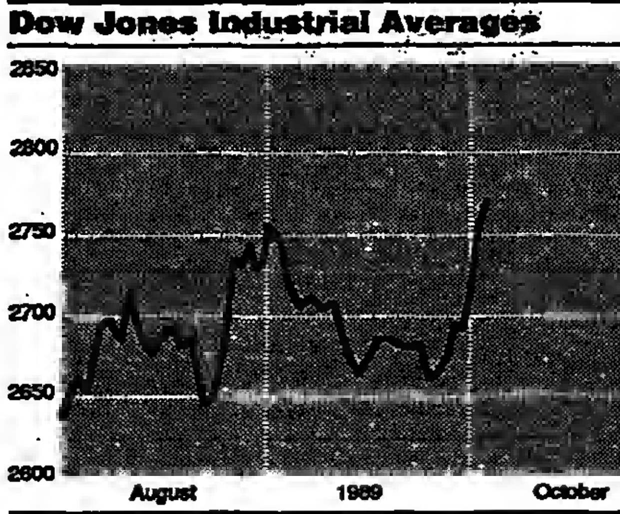
WALL STREET may have become a little over-optimistic, but no-one could accuse it of being inconsistent. The stock market's move to new highs this week was powered by essentially the same forces which kicked off the latest phase of the current bull market six months ago: signs that the US economy was slowing, interest rates were declining and the dollar was continuing to attract large speculative investment inflows from Europe and Japan.

The companies which led the market higher were the 1980s version of the celebrated "Nifty Fifty" growth stocks that dominated the last great Wall Street bull run almost exactly 20 years. Apart from takeover candidates, the stocks that everyone wants to own on Wall Street these days are Philip Morris, Coca-Cola, Procter & Gamble, American Express, AT&T, Disney, MCI and a handful of other reliable "growth stocks."

What all these companies have in common is that they never disappoint. Investors can count on them unfailingly to deliver 15 to 20 per cent growth in earnings per share for year after year, regardless of economic conditions, of technological developments and setbacks, or of financial ructions in the world at large. That, at least, is what all of Wall Street seems to believe.

The devotees of big-name growth-stocks may or may not be right in their self-assurance. But yesterday morning's statistics on employment to the US economy helped to explain why they are getting a receptive hearing from the investment community. The US economy is still slowing but the dollar remains stubbornly high. As a result, the country's manufacturing sector shows signs of drifting into recession, while services and non-durable consumer spending continue their steady growth.

Dow Jones Industrial Averages



The economic news, in other words, seems to have thoroughly discredited the cyclically undervalued industrial companies which enjoyed a brief burst of popularity earlier this summer. A few months ago, many investment managers decided that the consumer growth stocks were getting over-priced and started hunting for bargains among the downtrodden industrial companies. But given that all the apparent bargains would be extremely vulnerable in the event of a recession or major economic slowdown, Wall Street seems to have decided that "value investment" is doomed to failure. There really seems to be nothing left to do but chase the glamour stocks to ever-higher levels — and hope that someone else will always pay a higher price for "unfailing" earnings growth.

If this sounds like a parody of the sort of the kind of herd mentality that always tends to emerge at the top of a bull market, consider these comments by Emanuel Goldman, a PaineWebber market strategist quoted by the Dow Jones newswire on Tuesday afternoon, when Philip Morris led the 40-point surge in the Dow Jones Industrial Average to a new all-time high.

Morris was up "because it's Philip Morris," said Goldman. "People are looking for stocks that are not subject to the vagaries of the world."

"Philip Morris is so good you can't compare it to other things," he added. The Dow Jones wire explained that Goldman felt he could not set a "target price" for Morris stock because it would "simply continue to outpace the goal."

With sentiments like these beginning to be heard up and down Wall Street, the obvious conclusion is that the stock market has finally entered the speculative blow-off phase of its two-year ascent. A steep decline could then imminent. The fall would probably still be a month or two ahead, since speculative pressure still needs some time to build up steam. But a full-scale bear market could well begin around New Year.

Though few on Wall Street care to admit it, this outcome would certainly be consistent with the market's current macroeconomic expectations. Any abrupt economic slowdown or recession that began in 1990 would almost certainly be accompanied by a sharp decline in stock prices, not just in the cyclical issues, but in the market as a whole.

However, a more attractive outcome is still quite possible. It may turn out, as the third quarter reporting season unfolds, that the US manufacturing sector is not doing as badly as many analysts now assume. And if the Group of Seven eventually succeed in their efforts to devalue the dollar, a major change in the economic environment may also lie ahead.

In that case, there could yet be a further burst of strength for the cyclical issues and the life of the bull market could be extended for a good while ahead. A month or two from now may be the time to place one's bets.

Monday	2713.72	+ 20.90
Tuesday	2754.56	+ 40.84
Wednesday	2771.09	+ 16.53
Thursday	2773.56	+ 2.47

Anatole Kaletsky

Junior Markets

The pleasure of leisure

DESPITE the cries of "Mickey go home" at the Paris launch of the Euro Disneyland share issue, there is no doubt that the Magic Kingdom was centre stage. But on a local, and less glitzy, scale it is also worth sparing a thought for some of the emerging businesses which are helping to change the face of leisure in the UK.

One such company is Edencorp Leisure, which joined the third market in May. This week it announced a clutch of acquisitions for a total of £6.3m.

Edencorp operates an entertainment complex in the Algarve — complete with cafes, restaurants, a pub, a Wild Waters theme park (with a giddy-making tangle of water chutes and slides) and Michael's, a theatre-restaurant. One of the acquisitions takes Edencorp further into the Portuguese leisure market with Club Barrington, a luxurious sports and social club catering in the main for British and Dutch villa owners.

Edencorp is also moving closer to home where it's chairman, Michael Wallace, says British resorts are making a comeback." Edencorp has bought Watersplash World, a water theme park in Scarborough which is billed as one of the UK's top 10 theme parks. Watersplash, incidentally, used to be part of Kunick, the USM-quoted health care and leisure group which still owns the gruesome London and York Dungeons.

Edencorp Leisure has also bought Redelco, which has development rights to the Kettering Leisure Village, an amalgam of sports and leisure facilities (complete with theme restaurants, multi-screen cinema, disco, indoor water park and ice rink), which is due to open 1991.

The rights to Kettering Village have arisen through the Government's privatisation of sports and recreation facilities hither maintained by local authorities. But, even without local authority backing, many other combinations of sport and entertainment facilities have been opened up.

Look, for instance, at the USM-quoted Allied Restaurants, which last year expanded from a chain of Wimpy hamburger restaurants into bowling alleys and night clubs. It reckons that, after years of declining attendances, ten-pin bowling is once again gaining to popularity. Ten-pin bowling now plays a part in Allied Leisure centres, which include delights such as a 10-screen cinema, water park and ice skating.

Moving outdoors, another example is Tomorrow's Leisure, an operator of snooker clubs and discotheques which also embraces golf courses, angling lakes and a country park.

Tomorrow's Leisure which came to the third market in November 1987, was originally part of the Business Expansion Scheme (BES), and as such demonstrated the popularity of leisure groups with its strong asset-backing. Another example of a one-time BES company is Pleasureworld, which was bought by RKF, a diversified USM-quoted group, in April.

Pleasureworld operates a US-style theme park called Pleasurewood Hills (Mascot: Woody Bear), on the East Anglian coast, and a marine life centre in Norfolk. Last month the company announced plans to spend £12m over the next two years in expanding its leisure interests.

Yet another trend in the leisure business is the development of sites of natural beauty and historical interest. Take Leading Leisure, a leisure and property group, which is one of the largest companies on the third market (its long-predicted move to a full listing now seems likely to take place next year).

According to Barry Malizia, chairman and chief executive, the company shies away from "white knuckle" rides, which need investment of £5m to £6m a year, in favour of family-based entertainments. Visitors range from holidaymakers to pensioners taking afternoon coach trips.

Thus it has invested in attractions such as The Needle Pleasure Park, on the Isle of Wight, which it includes a chair lift, children's amusements and tea shops. It also owns The Crusades, an audio-visual and living-image experience, in Winchester.

All these companies are scrabbling to gain a share to one of the fastest-growing consumer markets. Market researchers suggest that leisure, a £7.5bn-a-year industry, is going to account for 30 per cent of all consumer spending in five years' time.

But it is not clear how far these leisure companies will be hurt by the pressure on consumer spending. Some argue that, as people whittle down their spending plans, they become more, not less, likely to spend their holidays in the UK. Also, as Michael Wallace points out: "A large part of any park is food and beverage, which people are always willing to spend on."

Be that as it may, making money in the leisure industry looks set this year to be particularly hard work.

Vanessa Houlder

Little light at the end of the tunnel

ALMOST 150 years ago the first tunnel under the River Thames was completed by Marc Isambard Brunel, a French engineer from Normandy, father of Isambard Kingdom Brunel. An engineering triumph, it gave Britain an important lead in tunnelling technology. Commercially, however, the tunnel — between Wapping and Rotherhithe — was a failure. It had to be rescued by the government during construction after the original investors lost their money. Today it carries the Metropolitan Underground railway line under the Thames.

Now, after the events of last week, investors in the Channel Tunnel, another great Anglo-French engineering project, must be fearing they are about to suffer similar experiences as investors in the first Rotherhithe tunnel.

Alastair Morton, joint chairman of Eurotunnel, which will operate the tunnel, warned last Monday that the cost of completing the Channel tunnel will be at least £2bn more than originally expected.

But Eurotunnel cannot even agree with its contractors or its bankers as to precisely how much the extra bill will come to. The group in 1986 and 1987 raised £5bn in loans and standby credits from international banks. A further £1bn was raised from sales of Eurotunnel shares.

Morton says that Eurotunnel will need to raise an extra £1.3bn to £1.6bn early next year to enable the project to be completed. About a quarter of this money is likely to come from a rights issue, according to Eurotunnel, which on Monday publishes its interim results.

In November 1987 the group forecast that the tunnel would cost £4.87bn to build. It now says the price is likely to be about £7bn. Contractors say costs will be at least £7.5bn while the technical advisers to the lending bank says costs could rise as high as £8bn if there are further problems.

The most likely outcome is that shareholders will have to wait longer to receive the first dividends from the project — that is, assuming that Eurotunnel can reach agreement with its contractors and bankers over the increased costs and extra finance needed. Technically, Eurotunnel is already in default of loan agreements and the banks could take over the project immediately. However, things would have to get a lot worse before that happened.

Eurotunnel, when it issued its prospectus to shareholders in November 1987, forecast an overall rate of return of 17 per cent over the life of the 55-year concession to operate the tunnel granted by the British and French governments. Investors, it said, could not expect the first dividends until 1995, almost two years after the tunnel is due to open in June 1993.

Shareholders are now likely to have to wait until after that for their first payment. The overall return should also be lower, unless there is a corresponding increase in the expected number of people, cars, lorries, coaches and freight forecast to use the rail tunnels.

Share price (pence)

Previously Eurotunnel, when it has announced cost increases, has supplied a rise to traffic forecasts which have left earnings projections largely undisturbed. This is unlikely to happen this time, although some indication may be given when gives its interim results.

One of the problems in evaluating projects such as the Channel tunnel is that they come in two distinct phases. First there is the high-risk construction phase when costs, as Eurotunnel has found, can run out of control. Only when the development is completed does it move into the second phase and take on the characteristic of a utility, with a steady and secure stream of income from the ticket office.

Shareholders should have been aware of those risks when they bought their shares in Eurotunnel. Until recently they have had a very good run for their money. Even now the shares — at 568p and Eurotunnel warrants at 47p — are more than one and a half times their combined issue price of 350p two years ago.

In July the combined price of shares and warrants was more than £12. Many shareholders who subscribed to Eurotunnel's £750m share issue in November 1987 also have considerable travel perks to consider when contemplating the value of their stake.

Full consideration of the effect on investors of the increase to costs will have to await detailed figures showing how this money is to be raised and how revenue projections may have altered as a result of increased traffic forecasts.

The Channel tunnel should always have been regarded as a long term investment which commanded a high risk during the early years of construction. Last week's announcement has confirmed that.

■ Week Ahead, Page IV

Andrew Taylor

High rates could last well into New Year, suggests **David Barchard**

Mortgage pain drags on

WITH THE base rate now 15 per cent – a level seen last in December 1981 – millions of households across the country will face real pain in keeping up with their mortgage payments in the months ahead.

The latest increase makes it virtually certain that building societies – which chose to bite the bullet and keep their rates down when base rates went to 14 per cent in May – will now put them up. The figure being favoured this week was 1.25 percentage points although it could be as high as 1.5.

So, a standard building society mortgage will go to around 14.75 per cent and the slightly cheaper mortgages offered to borrowers with loans of more than £60,000 would settle at around 14.25.

For those who have mortgages from banks and the mortgage companies, rates are likely to rise eventually to 15 per cent or even more.

First, though, the lenders will have to convince themselves that the 15 per cent base rate is going to stay with us for some time. A lot of home-owners, trying to judge what the future holds, must also be asking themselves if the 15 per cent is here to stay.

Not long ago, the most probable answer would have seemed to be "no." The 15 per cent rate is far above what economists were telling us a year ago was necessary to cool down the UK economy.

At that point, it looked as if a base rate of no more than 13 per cent would be needed for any lengthy period.

How your mortgage payments will increase (net of £30,000 tax relief)

Size of mortgage		13.5%	14.25%	14.75%
£50,000	Endowment	£ 478.13	£ 504.69	£ 522.40
	Repayment	£ 502.90	£ 528.72	£ 542.77
£100,000	Endowment	£1,040.63	£1,098.44	£1,136.98
	Repayment	£1,090.17	£1,142.50	£1,177.72
£150,000	Endowment	£1,603.13	£1,692.19	£1,751.56
	Repayment	£1,677.44	£1,258.28	£1,812.67

When the 14 per cent base rate made its debut in May, it was seen by many lenders as a short-term response to a brief emergency and it was possible to hope that it would go away in a week or two. That hope turned out to be false. The 14 per cent lasted out the summer.

Last month's bad trade figures open up even worse vistas. Sterling is likely to stay fragile for the foreseeable future.

The Chancellor cannot bring down interest rates without risking a run on sterling, which would make imports dearer and push up the inflation figures – something he has ruled out as unacceptable.

So, barring a sharp improvement in the trade figures, high interest rates are going to be with us for a good while, probably well into the New Year. Lenders have about two weeks to consider if they want to put up their rates from November 1.

They know that the latest increase has dashed hopes of a revival of the housing market in the spring, and – as happened in May – will struggle hard to hold down their rates for as long as they can.

Specialist mortgage companies will probably be able to hold their rates for one month, perhaps two. After that, a further 1 per cent rise at the end of the year looks likely, bringing their rates to around 15.75 per cent.

This punitive level means they will have to contend with large numbers of arrears and defaults by customers who looked like excellent credit prospects a year ago.

Meanwhile, the building societies will put up their rates. Abbey National (which still counts as a building society for this purpose) has made fairly clear that its rate will be increasing from the beginning of November. Most other societies are likely to follow.

Even if the Halifax tries to stem this flood, it probably will fail. The chances are that, like everyone else, it will bow to the inevitable although it could try to undercut Abbey National by a few points.

Even before the latest base rate increase, one or two societies were breaking ranks. National & Provincial had raised its mortgage rate to 13.8 per cent, fractionally ahead of the Halifax norm, while Norwich & Peterborough went to 14 per cent on Wednesday.

These straws in the wind suggest that we are likely to see more variations in building society rates than in the past.

Mortgage lenders are now resigned to the idea that the recovery in the housing market has been postponed yet again. Next August looks just about the earliest time anyone could hope for an improvement.

What will happen in the meantime? When interest rates were last this high, in 1981, the mortgage scene was very different. Borrowers usually had to wait for their loans and had not stretched themselves to the hilt at the height of a boom market.

Lenders now have to contend with a much more fragile situation. There is talk in some quarters of base rates rising even further, to 16 per cent.

If that happens, the scenario which mortgage-lenders most dread could take place – a spate of forced sales in a stagnant market. This could trigger a general collapse.

Some housing market specialists discount this possibility, though. John Wriglesworth, building society analyst at stockbroker UBS Phillips & Drew, points out that incomes have gone up faster this year than interest rates.

"Nominal incomes have gone up by between 5 and 9 per cent for most people," he says. "So, the next round of mortgage increases will more or less mean that people are back where they were a year ago."

. . . but savers benefit

IF YOU ARE foot-loose and fancy-free – either because you have paid off your mortgage already or because you rent your accommodation – this is the time to take advantage of the high interest rates on offer to savers. Some of the money market bank accounts offer the best rates for instant access deposits and respond very quickly to the increases in the base rate, since they are linked directly to the wholesale rates. Many of them will be deciding next week on the amount by which they should increase their rates.

Save & Prosper, a subsidiary of Robert Fleming, is almost certain on Monday to put up the rate for its high-interest bank account, which has a minimum deposit of £1,000. It offers 12 per cent gross (9.39 per cent net) at present but the gross rate could be raised to 13 per cent. Allied Trust Bank, which already pays 13.1 per cent gross (10.25 net) on its high-interest cheque accounts, plans to increase the rate to 13.9 per cent gross (10.87 per cent net) on Monday, while its one-month notice account will offer 14.5 per cent gross (11.34 per cent net).

Cater Allen raised the gross rate on its money market bank account from 12.375 per cent (9.683 per cent net) to 13 per cent yesterday and said it had "every expectation of raising the rates again next week." For private investors who have more than £50,000, it recommends putting the money in a fixed deposit account, which attracts 14 per cent gross.

As for the building societies and clearing banks, most seem to be prepared to wait to see what the competition comes up with, although Leeds & Holbeck took the plunge on Friday and raised the rate on its capital bonus account by 0.75 percentage points to 11.6 net.

Abbey National, which converted from a building society to a bank this summer, said its savings accounts would probably see an increase of between 0.75 and 1 percentage points at the beginning of November, but emphasised that there was no rush to take a decision. Abbey's rates on deposits range from 6.15 per cent net to 10.25 per cent on £25,000 in its Premier account (if the money is left in for a year).

The Halifax said it would "wait and see how interest rates settle" before deciding whether to raise interest rates for its 13m savings accounts, although it is almost certain to put them up if the other building societies decide they will. It now pays 10 per cent net on its top savings account (the 90-day account) for sums of more than £25,000.

David Rosier, chairman of public client business at Mercury Asset Management, said he is advising private clients to put money straight on deposit and "use the opportunity to pick up good quality stocks" over the next few months, particularly equities which have a high proportion of their earnings generated overseas.

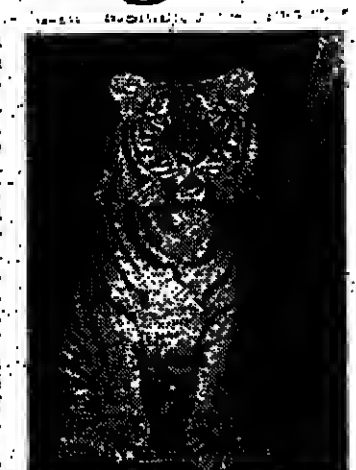
Meanwhile, investors should keep a close watch on whether National Savings rates are increased to become more competitive. If they do rise, it would suggest the government believes the higher interest rates are here to stay.

Sara Webb

Tracking the Tiger

FUND MANAGERS have been excited for some time over the investment potential and prospects of the South-East Asian (Tiger) markets: Hong Kong, South Korea, Thailand, the Philippines, Malaysia, Singapore and Taiwan. They are, however, highly volatile and thus avoided by many investors.

One way to reduce this volatility is to go into all the markets at the same time and provide an appropriate "tracker" fund. That was the problem facing Jonathan Custance Baker, managing director of James Capel Unit Trust Management.



As a pioneer in bringing tracker funds to the UK unit trust sector, he wanted to offer investors a passive invested fund in these markets.

Normally, if an investment group wishes to launch an index-tracking fund covering a particular market, it is axiomatic that there already exists an appropriate stock market index to track. And in the major well-established stock markets of the world, the usual problem for fund managers is which index to track. There is usually a choice of indices and the fund manager has to decide which particular one is appropriate.

Custance Baker had the reverse problem, though. There is no published index covering these combined Tiger markets. Indeed, only three of them – Hong Kong, Malaysia and Singapore – are included in the FT-Actuaries World indices. But this did not deter him from his objective of launching the James Capel Tiger index fund.

He used the combined expertise of the Edinburgh-based James Capel's Quant (Quantitative Research) team, headed by Dr Namdar Mossaheb, to devise an appropriate index for the new fund to track. It was named the James Capel South-East Asian index and is a combination of the individual market indices in a simple arithmetical form.

This gives full weighting to the four markets approved by the Department of Trade and Industry – Hong Kong, Singapore, Malaysia and Thailand – and half weighting to the three unapproved markets.

This means that the indices for Hong Kong, Singapore, Malaysia and Thailand each account for 18.18 per cent of the James Capel index, and the indices for South Korea, Taiwan and the Philippines 9.09 per cent each.

The percentages will be maintained rigidly until a major change occurs, such as another market getting DTI approval (when it would be given full weighting) or a market, such as Hong Kong in 1997, disappearing (when the index weighting will be re-calculated).

The underlying Tiger fund will invest in these proportions in each of the seven countries, tracking each individual country's index and re-basing the underlying portfolios once a month to maintain the percentages.

The new fund will give private investors interested in the South-East Asian markets a choice between active and passive investment.

Supporters of index tracking say that, over the long term, the funds should provide an above-average performance since most unit trusts fail to beat the index. Over the short term, though, James Capel's index funds are doing rather badly.

The latest figures from Micropal show that over the six months to end-September, the James Capel Japan index fund was 64th out of 66 funds, showing a loss of 2.1 per cent over the period, while the James Capel European index was 89th out of 118 funds with a rise of 17 per cent.

Only the US has remained true to form, with Capel's American index over the corresponding period being 50th out of 126 – comfortably in the second quartile.

Investors will have to make up their own minds about the Tiger fund, which does offer something a bit different. The minimum investment is £1,000, with an initial charge of 5.25 per cent. There is also an annual management fee of 1 per cent, which is somewhat high for an tracker fund.

A matter of values

LAURENTIAN is adding to its range of specialist funds with an American Undervalued Asset trust. The objective is to invest in companies with share prices significantly below the estimated asset value. Minimum investment is £500 and there is 1 per cent bonus allocation of units for investments over £1,000. The costs are at the top end of the range, with an initial charge of 6 per cent and an annual management fee of 1.5 per cent.

Sun Life of Canada has also launched an American Growth trust. Minimum investment is £1,000 and during the launch period, until October 27, there will be a 1 per cent bonus allocation for sums of over £1,500.

J. E.

John Edwards reviews the latest in personal equity plans

Two-way offer

MARKS & Spencer this week unveiled details of a personal equity plan (PEP) that it intends to launch later this month in conjunction with introducing a second unit trust. The group entered the unit trust market for the first time a year ago with an Investment Portfolio fund. Its second trust is to be called the UK Selection Portfolio fund, which will be linked with a "tax-free savings plan" (PEP).

The new trust will invest entirely in UK stocks, including 15 per cent in convertible bonds to boost the income yield. Thus, it will more than comply with the PEP regulations that at least 75 per cent of unit, or investment, trust holdings must be in UK stocks to qualify for the tax concessions.

The new fund has a minimum lump sum investment of £500, or regular savings of £25 a month, and will follow the same strategy as the Investment Portfolio with the income being allocated to specialist investment managers. There is a similar cautious, pension-style formula with the emphasis on safety rather than high performance, although more importance will be given to achieving income.

A surprise newcomer is Hill Samuel Investment Management (part of the TSB group). In effect, it has replaced Mercury Asset Management which, with BZW and GMO Woolley, manages the UK equity part of the Investment Portfolio. BZW will continue to be responsible for the index "tracking" element of the fund, although this will account for only one third of the total (instead of 36 per cent) and will be "tilted" towards higher yielding shares to produce extra income.

GMO Woolley will use its computer modelling system to select some 60 shares. The remaining third will be managed by Hill Samuel in a concentrated portfolio of 20 shares. Frank Russell International, an investment consultant known best as a pension fund adviser, is retained to monitor the performance of the individual managers and advise on asset allocation.

Application forms for buying the new trust will be available in M&S stores from October 14; before then, you can get details from a special freephone advice line: 0800-363-432. During the official offer period from October 30 to November 17, there will be a fixed price of 100p a unit. Special bonus allocations of units will be given to M&S account-holders, share-holders, staff and investors in the Investment Portfolio. Lump sum investments of more than £1,000 will also qualify for a bonus.

If you take out the PEP version, the maximum investment allowed is £2,400, or £200 a month. However this will stop you taking out a direct-share PEP, too, and using the full PEP maximum of £4,800, since only one plan management company can be used each year. Charges for the UK Selection Portfolio, and the PEP version, are the same: an initial fee of 5.5 per cent and an annual management charge of 1.5 per cent.

Through the ceiling

THE Double-Up PEP, introduced this weekend by London-based stockbroker CCF Foster Braithwaite, is aimed specifically at helping those who have invested in a stand-alone unit, or investment trust, with a group that does not offer a direct share PEP and are, therefore, locked into a £2,400 ceiling.

Managing director John Vincent says that under Inland Revenue rules, any PEP investor can transfer his plan from one manager to another provided he has only one PEP (and manager) each year.

Thus, any unit trust-only PEP investors can transfer their plans over to the Double-Up scheme, which means that up to £2,400 more can be placed in a managed fund investing in shares directly.

There is a registration fee of £50, which is a once-only payment and includes the cost of arranging the initial purchase of extra shares.

However, there might be a charge levied by the existing unit trust PEP manager.

Variations on a theme

GUINNESS Mahon Group is launching a range of 12 different PEPs in three packages from its subsidiaries, Henderson Crosthwaite, Temple Bar Investment Trust, and Guinness Mahon Unit Trusts. Evidently, the aim is to offer all variations on the PEP theme, ranging from stand-alone unit and investment trusts to discretionary or self-select share PEPs.

Norwich & Peterborough has become one of the few building societies to offer its own PEP, launched by its stockbroking subsidiary Waters Lunniss. This gives a choice of portfolios investing directly in leading companies, or a unit trust-only plan investing in the Henderson Income and Assets Fund.

There is an initial management charge of 4 per cent, although unit trusts will be purchased net. But there is also an annual management fee of 2 per cent and 1 per cent will be charged on share dealing transactions.

Loophole exploited

IVORY & Sime is following River & Mercantile in exploiting the loophole in the PEP regulations that allows you to invest the full £4,800 in a new issue investment trust, instead of just being confined to £2,400. The I & S Optimum Income trust, as the new issue is called, is a split capital investment trust designed specially for PEP investment.

It will hold at least 80 per cent in UK equities and also provide a high income, with an estimated initial yield of 8.5 per cent. This is achieved through the issue of zero dividend preference shares, which give an equivalent return of 13.49 per cent a year but are not repayable until $7\frac{1}{2}$ years.

Richard Carswell, marketing director, said the trust would invest in a blue-chip portfolio. He added that the fund would need to grow by less than 7 per cent a year to meet the guaranteed return to holders of the zero preference stock.

It is hoped to raise a total of £67.5m, of which £25m would be zero preference stock and £42.5m ordinary shares. However, £17.3m of the ordinary shares have been pre-placed by the underwriters. This still leaves £25.2m available for the public: much more than the £7.5m River & Mercantile offering, which was over-subscribed heavily.

FINANCE & THE FAMILY

The Week Ahead

Chill wind for Eurotunnel

CORPORATE results seemed to have shrivelled with the cooler weather. The calendar for all of next week barely matches that for a single day in September, and the absence of big names is conspicuous.

The exception is Eurotunnel, whose shell-shocked shareholders will be wondering what else the Anglo-French Channel tunnel group has to say when it announces its interim results on Monday. It will be under pressure to disclose more details of how and where the cost increases announced this week have occurred. Shareholders will also want to know about the physical progress being made digging the tunnels and how higher traffic forecasts may affect revenue projections in future.

Lowndes Queensway, the furniture and carpet retailer formed by the leveraged buy-out of Harris Queensway in August last year, saw its shares respond badly to this week's base rate rise.

Next Thursday's interim results will underline how badly hit the group has been by the Government's high interest rate policy. Lowndes, which has completed a £18.5m rights issue and agreed a refinancing package with its bankers, has already forecast a post-interest loss of about £17m for the first half to July 31.

But analysts will be asking how much ground can be made up in the second half and next year. While most believe that that work being done by the new management team, headed by ex-Argyll chief James Gulliver, is on balance for the best, Lowndes could hardly have chosen a worse time to set about it.

TIP Europe, the rapidly growing trailer rental group, is expected to announce pre-tax profits of about £12.5m on Monday when it reports on the year to July 31. That would be 34 per cent higher than last year's figure of £9.1m, but the company is unlikely to improve on last year's earnings figure of 13.7p per share.

Analysts blame this dilution on costly acquisitions and say the company is still digesting CSL Corporation, the north of England operator which it bought for £28.2m in March. Watch for news of trailer utilisation rates, which were at 80 per cent but are thought to have been softening.

On Thursday, the private hospitals group AMI Healthcare is expected to report pre-tax profits of between £20m and £21m for the year to August 31, with earnings per share at around 20p. Comparisons with the previous 12 months are complicated by the fact that AMI, the UK market leader and one of only two quoted companies in the sector, was floated during that year.

On the 1987-88 pro forma profit figure of £17.3m, the forecasts would give an increase of between 17 and 21 per cent. More cautious followers point out that the company's 17 per cent-plus margin may have been slightly squeezed by the regrading of nursing staff in a labour-intensive business.

The results will be presented against a background of uncertainty over AMI's ownership because its US parent, American Medical International, is undergoing takeover talks. The buyer would be expected to dispose of overseas subsidiaries such as AMI in the UK.

New name for BCMB service

BRITISH & Commonwealth Merchant Banking Group (BCMB) has launched its private client stockbroking business under a new banner. In future it will be known as the Stock Group.

Most private clients will probably not notice the change, except perhaps for different notepaper heading. BCMB has been building up its private client business for some time. It acquired Hoare Govett's private client business from Security Pacific in December 1988 and increased its stake in Stock Beech to 100 per cent in May of the same year.

The Hoare Govett private client business will now go under the Stock Group banner (under the agreement BCMB had to drop the Hoare Govett name).

However, the two regional stock brokers it owns – Stock Beech and Campbell Neill – will keep their names for the present, but will be part of the Stock Group and use the group's research.

Stock Group clients will be offered a portfolio account with the group's private bank in Knightsbridge, London. It offers an overdraft facility so clients can borrow against their portfolios if they want to increase their investments. It is also a high-interest cheque account, which offers a £100 cheque guarantee card and – from November this year – a gold card (Visa charge card) with an automatic unsecured overdraft of £10,000.

Bruce Ursell, chief executive of BCMB, who joined from Guinness Mahon in 1987 (where he was chief executive), said that clients would pay for the level of service they need: "We're not a discount broker. I don't believe people are looking for the cheapest product or we'd all be driving around in Skodas."

The stockbroking service is available to clients with between £25,000 to £25m, though the majority of existing clients have £300,000 to £500,000 to invest.

The majority of BCMB's existing clients use the advisory service and pay fees for valuations and administration. As Nicholas Hutchen, managing director of Stock Beech, points out "a lot of people go for a long time without doing a deal."

The fee on the first £100,000 is 0.25 per cent, then 0.1 per cent on the next £150,000, and 0.05 per cent on the next £250,000.

Alternatively, clients can place part of their funds in a current account and forfeit the interest in lieu of fees. For example, if you wanted to invest £100,000 you would have to put £2,000 into the current account.

If you use the discretionary service, you can either choose to pay commission or opt for an annual management fee of 0.75 per cent on the first £100,000. Above £100,000, the fee is negotiable. The commission rate is 1.65 per cent for the first £10,000, with a minimum of £20.

The new group has £3bn under management and 50,000 clients, making it one of the larger brokers to offer services to private clients – and what bankers like to call the high net worth individuals. It has offices in the Channel Islands, London, Birmingham, Bristol, Glasgow, Perth, Inverness and Stirling.

Sara Webb

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Accord Publ.‡	33*	33	98	2.20	Pentland Group
Armstrong Eq.	180*	186	178	95.80	Caparo Inds.
Broadcast Comms.	330*	328	343	11.72	G'dian Man.News
Caradon	550§§	526	488	337.6	MB Group
DRG	590*	604	595	697.00	Pembridge Invs.
Gordon Russell	467½*	459	301	62.1	St'icase Strafor
Lynx Group	3	7½	12†	0.95	Lynx Holdings
MIL Research	295*	291	288	33.2	MAI
Meat Trade Suppl.	✻	430†	430†	✻	Alpha Gamma
Meat Trade Suppl.	350*	430†	430†	9.16	Twigrealm
Medminster	147½	149	108	11.33	Expedier Leis.
Miller & Sant‡	185*	187	180	14.54	Boots
Oceana Devel.	♣§	285	270	15.9	Symphony Corp.
Pearl Group	605*§	645	552	1.1bn	AMP
Red Funnel	281½§	265	243	26.64	Assoc Brit Ports
Silkolene	645*	633	430	26.1	Fuchs Petrolub
TR Energy	24††	23	22	24.2	Europa Minerals
Textured Jersey	218*	215	185	8.7	Charterhall
UCL Group	45½	46½	60	4.14	Ferrari Hldgs.
Utd. Scientific	132½	150	147	74.03	Meggitt

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 6/10/89.†At suspension. §§Shares and cash. ♣Offer is 295p for each stock unit registered on the London Stock Exchange and R18.53 for each stock unit registered in S. Africa. ✻Alpha Gamma is making partial offer involving payment of 372p for 2 out of every 5 MTS shares. The total value of the bid is £9.76m. Also, MTS is offering £12.55m for Alpha Gamma.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Last year Final	This year Int.
FINAL DIVIDENDS				
AMI Healthcare	Thursday	-	3.3	2.0
BM Group	Tuesday	1.2	1.8	1.8
Britannia Security Group	Tuesday	0.90	1.35	1.08
Honeysuckle Group	Tuesday	2.0	3.6	2.0
Lloyds Chemists	Wednesday	0.5	1.2	0.65
Lowndes Queensway	Thursday	-	-	-
Lyles S.	Tuesday	1.5	2.0	1.5
Norex group	Monday	-	-	-
Perstorp AB	Monday‡●	-	3.20	-
Savage Group	Monday	1.0	2.0	1.5
Sinclair William Holdings	Wednesday	1.0	6.5	1.25
Tay Homes	Wednesday	0.69	5.93	1.0
TIP Europe	Monday	-	2.8	1.6
Town Centre Securities	Thursday	0.5	1.0	0.6
INTERIM DIVIDENDS				
Aitken Hume International	Friday	-	0.5	-
Alexandra Workwear	Tuesday	1.36	2.55	-
Allied Insurance Brokers	Tuesday	-	2.5	-
Anglo Eastern Plantations	Wednesday	-	-	-
Atlas Converting Equipment	Tuesday	3.6	6.5	-
Austin Reed Group	Wednesday	3.0	6.0	-
Billam J	Wednesday	1.64	2.4	-
Bio-Isolates Holdings	Monday	-	-	-
Chelsea Artisans	Monday	-	1.0	-
Cluff Resources	Monday	-	-	-
Darby Group	Thursday	-	1.25	-
Dauphin	Tuesday	1.3	2.7	-
El Oro Mining & Exploration	Thursday	-	10.0	-
Equity & General	Tuesday	0.5	1.0	-
Eurotunnel	Monday	-	-	-
Exploration Company	Thursday	-	5.0	-
Firstland Oil & Gas	Wednesday	-	-	-
Forward Technology Industries	Wednesday	0.6	1.2	-
Helene	Tuesday	0.55	1.24	-
Hyman	Tuesday	0.9	0.9	-
Int'l. Inv. Tst. Co. Jersey	Friday ●	6.0	7.5✻	-
ISA International	Monday	0.45	0.95	-
Jerome S & Sons	Wednesday	2.5	5.2	-
Johnston Group	Wednesday	3.0	8.5	-
Lawrence (Walter)	Tuesday	2.0	5.5	-
Le Creuset	Wednesday	-	-	-
London Atlantic Invest. Trust	Thursday	2.3	6.4	-
London & Manchester Group	Tuesday	3.3	7.05	-
Miskin Group	Thursday	-	-	-
Musterlin Group	Tuesday	1.0	3.0	-
NMW Computers	Tuesday	-	0.25	-
Quadrant Group	Wednesday	1.25	2.35	-
Rea Holdings	Wednesday	-	3.0	-
R&V Information Systems	Wednesday	-	-	-
Slingsby HC	Friday	2.0	5.5	-
S & U Stores	Monday	1.25	3.0	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.✻ 2nd interim dividend.● Per share gross.‡ Swedish Krona.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Adwest Group	June	16,200	(13,500)	17.2	(14.5)	7.0	(5.87)
Armour Trust	Apr	2,050	(1,510)	5.6	(4.5)	1.2	(0.90)
Audit & General	June	1,840	(369)	1.27	(0.06)	0.3	(-)
Barry Wehmiller	July	8,100	(5,200)	22.5	(18.0)	5.6	(4.5)
Beckman A	June	1,200	(1,360)	6.3	(7.4)	4.78	(4.78)
Bristol Channel	Mar	29 L	(57 L)	-	(-)	-	(-)
Community Hospl	June	2,340	(1,490)	11.7	(8.7)	4.5	(3.0)
Courtney Pope	May	4,320	(3,040)	21.3	(18.6)	8.5	(7.0)
Cramphorn	July	1,000	(870)	23.1	(20.2)	6.25	(5.5)
Druck Holdings	June	3,830	(3,140)	37.4	(31.8)	7.4	(6.2)
EFM Dragon Trust	Aug	2 L	(65)	-	(0.04)	-	(0.09)
European Leisure	June	3,100	(770)	5.8	(2.28)	1.5	(0.18)
Frogmore Estates	June	30,370	(39,540)	27.7	(42.8)	11.6	(10.0)
Galliford	June	9,220	(7,100)	8.12	(6.15)	3.9	(3.2)
Goodwin	Apr	332	(320)	2.9	(2.8)	0.8	(0.6)
Halstead James	June	7,110	(5,989)	31.9	(27.6)	9.5	(8.25)
HTV	July	18,020	(14,380)	17.2	(14.3)	5.0	(3.9)
Ilco	June	868	(2,170)	4.69	(6.65)	0.5	(4.0)
Ivernia West	Mar✻	471 L	(-)	-	(-)	-	(-)
Lawtex	July	439	(963 L)	10.2	(-)	2.0	(1.0)
Maunders John	June	7,140	(4,770)	19.1	(12.7)	4.75	(3.15)
Melville Group	June	7,600	(5,300)	13.5	(11.1)	4.9	(4.2)
Microfilm Repro.	June	6,010	(4,020)	16.8	(13.4)	5.07	(3.37)
Murray Ventures	July	2,880††	(2,570††)	8.25	(6.37)	7.2	(6.0)
Ossory Estates	June	6,530	(3,770)	2.19	(1.5)	0.75	(0.5)
Panfida Group	June©	941 L	(1,800)	-	(4.5)	1.8	(2.25)
Photo Me Int'l.	Apr	15,230	(11,290)	28.3	(19.7)	6.0	(3.0)
Primadona	June	152‡‡	(106 L‡‡)	3.3	(-)	2.75	(2.5)
Raine Industries	June	23,290	(13,480)	12.7	(8.6)	5.0	(3.0)
Strong & Fisher	June	1,170	(7,800)	8.8	(32.7)	12.3	(12.0)
Throgmorton Dual	July	1,870#	(1,540#)	6.13	(6.7)	7.75	(6.0)
TSW TV South West	July	3,180	(3,000)	8.54	(8.43)	4.15	(3.15)
Ulster TV.	July	2,610	(2,185)	16.4	(13.6)	6.0	(4.75)
WCRS	Jun**	38,100	(18,250)	26.9	(21.4)	5.0	(3.9)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
ASB Barnett Kinnings	June	111	(109)	-	(-)
American Distributor	June	2,400	(813)	1.12	(-)
Associated Fisheries	June	918	(1,400)	1.0	(1.0)
Atlantic Securities	June	80 L	(432 L)	-	(-)
Baltic	June	6,650	(5,400)	1.7	(1.44)
Berry, Birch & Noble	July	203	(257)	-	(1.5)
Betterware Consumer	Sept	1,130	(740)	2.15	(1.8)
Bilton Percy	June	7,560	(7,020)	5.4	(5.15)
BLP Group	June	1,700	(923)	1.5	(1.25)
Brewmaker	July	453	(3)	0.1	(-)
Brooks Service Group	July	712	(605)	1.84	(1.6)
Butte Mining	June	193	(39)	-	(-)
Camellia Investments	June	1,020	(731)	9.0	(8.0)
Capital & Regional	June	2,990	(616)	0.3	(0.2)
Children's Medical	June‡	31,160	(31,230)	-	(-)
Citygrove	May	3,050	(2,280)	3.0	(2.5)
Clarkson Horace	June	4,920	(3,056)	2.5	(2.25)
Clondalkin Group	June✻	3,650	(2,974)	1.45	(1.35)
CMB Packaging	Jun✻✻	615,000	(500,000)	-	(-)
Coates Brothers	June	18,500	(17,000)	2.6	(2.4)
Conrad Continental	June	303	(516)	1.0	(1.0)
Copymore	June	346 L	(709)	0.8	(0.8)
Doeflex	June	703	(633)	1.32	(1.15)
Early's of Witney	July	609 L	(101)	0.31	(0.31)
Elson & Robbins	June	59	(581)	-	(-)
Epicure Industries	June	1,550	(1,200)	0.28	(0.28)
Etam	Aug	6,270	(6,120)	1.95	(1.7)
F&C Pacific Inv Tst	July	1,790	(1,870)	0.5	(0.4)
Finlay James	June	4,920	(4,500)	2.0	(2.0)
Fortnum & Mason	Aug	136	(162)	6.0	(6.0)
Gates Frank G.	June	1,250	(1,1300	-	(-)
Grampian Holdings	June	3,720	(3,180)	1.3	(1.18)
Guinness	June	246,000	(183,000)	4.4	(3.5)
Harrisons & Cros.	June	56,200	(52,000)	3.4	(3.0)
Hay Norman	June	1,040	(857)	0.76	(0.66)
Headland	June	351	(161)	-	(-)
Hewden Stuart	July	19,350	(13,530)	0.75	(0.6)
Higgs & Hill	June	10,090	(11,260)	4.4	(4.0)
Holt Joseph	June	2,420	(2,090)	7.0	(6.0)
Jefferson Smurfit	July✻	120,700	(109,100)	1.46	(1.36)
Jermyn Investment Co	June	1,720	(112)	-	(-)
Ketson	June	161 L	(282)	-	(1.0)
Kleinwort Ben. Gilt	Oct©©	3,030	(2,510)	35.5	(33.2)
Lamont Holdings	June	4,920	(4,760)	3.25	(2.75)
LEP Group	June	9,550	(5,043)	1.75	(1.45)
Lowe Howard Spink	June	7,800	(6,670)	4.7	(4.0)
Martin Albert Hldgs.	June	706	(912)	1.6	(1.5)
MIL Research Group	July	994	(1,060)	-	(1.75)
Next	July	16,200	(30,900)	2.7	(2.7)
North Brit. Canadian	Aug	388‡‡	(328‡‡)	3.0	(2.7)
Quarto Group	June	1,210	(692)	1.5	(1.12)
Rathbone Brothers	June	1,060	(848)	1.6	(1.5)
Richards Group	June	573	(20)	1.5	(-)
Scotts Restaurants	June	427	(654 L)	-	(-)
Sears	July	80,500	(92,500)	1.52	(1.45)
Sheffield Insulation	June	2,260	(1,600)	-	(-)
Sherwood Computer	June	4,140	(3,050)	2.3	(1.6)
Stylo	July†	1,690	(1,080)	-	(-)
Swallowfield	June	1,130	(886)	2.2	(-)
Tootal Group	July	19,250	(19,075)	1.9	(1.8)
Toye & Company	June	322	(315)	-	(-)
Triplevest	Aug	2,380‡	(2,070‡)	9.9	(8.59)
Trusthouse Forte	July●	145,000	(120,833)	2.5	(1.76)
Turriff Corporation	June	1,760	(1,350)	4.25	(3.5)
Unistrut Europe	June	1,190	(472)	1.75	(-)
Ward Group	June	6,430	(3,060)	2.4	(1.8)
Watts, Blake, Bearne	June	4,350	(3,800)	2.6	(2.3)
Wensum Company	July	321	(-)	-	(-)
Wills Group	June	405	(535)	-	(-)

(Figures in parentheses are for the corresponding period.) *Dividends are shown net pence per share, except where otherwise indicated. L = loss.✻ Irish punts & pence.● Figures for 9 months.© This years figures for a 9 month period.† Trading profit.‡ Net revenue.# Net income.✻✻ French francs.** This years figures for a 14 month period.†† Total revenue.‡‡ Net profits.©© Gross revenue and 2nd interim dividends.

RIGHTS ISSUES

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Blackland Oil has joined the Third Market, sponsored by Neilson Milnes.
Millwall is to join the USM via a placing of 25m shares at 20p.
Reg Vardy is to join the main market via a placing of 7.9m shares at 90p.

FINANCE & THE FAMILY

Kevin Goldstein-Jackson contends that private investors are getting a raw deal

Red tape hijacks the Big Bang

THIS MONTH sees the third aniversary of the Big Bang in the City – an event that was supposed to signal a new era in competition among stockbrokers and a better deal for investors. Unfortunately, almost exactly the opposite seems to have happened. Everything seems to have got tied up in expensive bureaucracy and "systems" and the private investor is now worse off. The situation looks like getting worse.

Before the Big Bang, I felt safe dealing with my stockbrokers. If they suffered a serious mishap, such as a fraudulent dealer, or went bankrupt, the Stock Exchange compensation scheme would reimburse me in full up to £250,000 and, in certain circumstances, up to £500,000.

Now, the ridiculous Securities and Investments Board (SIB) scheme provides protection for only the first £30,000 and then 90 per cent of the next £20,000 – giving a maximum of £48,000. But unlike the old Stock Exchange scheme, which had a theoretically unlimited fund, the SIB scheme has a total pay-out limit of £100m in any one year. Thus, if considerable claims were made on the fund in the early part of a year and a broker defaulted in, say, November, there might be nothing left in the fund and no compensation.

Brokers now have "compliance offices" and fill in all sorts of paper-work. This has resulted in one of my brokers this year feeling obliged to charge £5 a contract (on top of his normal commission fees) in order to "help defray our costs of compliance with the Financial Services Act." That Act does not seem to have improved benefits to the clients of the broker E. J. Collins, which went into liquidation in March, nor the creditors of Homes Assured.

Before the Act, private investors could write to a financial journalist asking for his or her views on a particular company in which the investors might have a holding. The journalist might respond quickly with a letter stating that perhaps the investor could be better-off investing elsewhere.

Now, journalists are unable to respond directly to such readers' letters unless they pay a hefty membership fee and join the FIMBRA. Since journalists are not financial intermediaries, managers or brokers, why should they have to join this organisation? Why doesn't the SIB have a simple,

cheap, registration scheme just for appropriate journalists? The private investor has now lost a valuable service that used to be provided free.

The new Companies Bill, which will become law soon, will allow companies to send out "shortened reports" to their shareholders unless investors write and request a copy of the full report and accounts. At present, my wife and I have investments in more than 30 companies. Why should we have to waste time and money to contact the registrars of all those companies in order to get a full report?

I am reminded of an item that appeared in the FT in July last year concerning the annual general meeting of Young & Company's brewery. Young's chairman accepted that there was a discrepancy of £119,618 in the published accounts. Who noticed the discrepancy? The auditors? A City institution? No — a private investor!

In August, the SIB published a consultative document in which it proposed simplifications to the regulations concerning conduct of investment business. So far as I am aware, the SIB never bothered to seek the views of private investors. Its board of directors all seem to represent banks, companies and institutions — with the exception of one representative from that frequent sender of unsolicited mail promoting *Which?* magazine (the Consumers' Association).

As a private investor, I now have increased dealing costs and a pathetic compensation scheme, am denied the free advice of financial journalists, and am not consulted about the future framework of rules and regulations *supposedly* designed to "protect" me and other investors. I will no longer receive full company reports automatically but will continue to be deluged with unsolicited mail urging me to invest with unit trusts or "managed PEPs."

Whatever happened to the idea that private investors like me might actually want to invest *directly* in companies because we like a company's products, prospects and management and want to be kept informed fully of its progress?

If the proposed Taurus Stock Exchange settlement system is adopted, soon it will be even more difficult to get shares registered in my own name. They will be in a "holding account" instead and I will not get any share certificates!

What is needed urgently is someone to dismantle the whole bureaucratic regulatory system and replace it with a cheaper, simpler and more effective system with private investors being appointed to the regulatory boards and consulted as a *matter of course*. A "share-owning democracy" cannot exist properly if private investors are denied the right to information and consultation.

Eric Short reports on a beneficial investment

Skandia's bond bonus

AN INVESTMENT that allows you to benefit from any rise in the FT-SE 100 (Footsie) index while, at the same time, guaranteeing a return of 95 per cent of your initial capital after five years, was unveiled this week by Skandia Life.

What is more, the Assured Performance Bond, as it is called, will at the end of the period pay a 5 per cent bonus to offset the initial charge, so providing a return superior to the average unit trust.

How can Skandia Life and its adviser, James Capel, offer such terms? Certainly, not by investing directly in the top companies that comprise the index.

Instead, investments will be made up of derivative instruments (such as futures and options), centred on buying Footsie options and balanced so that the guaranteed payments can be met at the end of the five-year period.

The carefully-balanced package of derivatives can be used to provide the guaranteed returns. But there are three major restrictions.

First, the amount of the offer is limited to £30m and Skandia Life is operating on a first come, first served basis. Technically, the bond starts on November 17, but the offer period runs from only October 16 to October 27 and could close earlier if subscribed fully.

Second, the package is balanced to meet the guaranteed returns only at the end of five years. If investors want to cash-in some, or all, of their investment earlier, there are severe restrictions on the times at which cash-in can take place and substantial penalties on the amount paid out in the early years.

Finally, at the end of the five-year period the bondholder must either cash-in or switch to a normal, unit-linked fund. *As yet, there is no option to continue with the guaranteed terms linked to the FT-SE 100 index.*

No cash-in at all is allowed during the first year, so investors are locked-in for at least 12 months. After that, they can consolidate any gains made (assuming the index has risen) and switch all or part of their investment to any of the 200 Skandia Life unit-linked funds.

If, however, the switching is made on specified quarter-days (February 17, May 17, August 17 and November 17), there is no realisation charge and there are guaranteed encashment and switching terms.

In the second year, investors would receive 81 per cent of the rise in the index with a guaranteed minimum of 96 per cent of their original investment, less the initial charge. This rises to 87 per cent and 97 per cent respectively in the third year, 98 per cent and 98 per cent in the fourth year and 100 per cent and 99 per cent in the fifth.

Automatic withdrawal facilities are available monthly, quarterly, half-yearly or annually and are tax-free (since the fund has already paid the tax) so long as they do not exceed 5 per cent of the total investment. If the investor dies, the benefit paid is 101 per cent of the encashment value.

The concept of a guaranteed equity return was introduced some months ago by Legal and General for its personal pension contracts. But it was a much more cautious approach over a one-year period, giving only 95 per cent of the rise in the Footsie index.

Skandia has been much more adventurous with its bond, since you get the full benefit of any rise in the equity market over the five-year period.

The guarantee that 95 per cent of your capital will be returned will reassure investors still shell-shocked by the October 1987 crash, although it is extremely unlikely that it will be invoked for a five-year period. Only once (in 1974) since the Second World War has the UK equity market stood at a lower value than it was five years earlier.

Skandia, with the assistance of James Capel, has opened a concept in equity investment that was available previously only to the major institutional investors.

Because this fund provides a return based on the rise in the FT-SE 100, it will never be a top performer although it should be in the second quartile for fund performance.

As such, it should appeal to the more cautious investor who is looking for the higher rewards from equity investment and who is prepared to put up his money and then forget about it for five years.

But the early cash-in penalties stand in the way of this being used for a short-term equity trading vehicle. For that, investors need to go directly into derivatives.

Expatriates/Peter Gartland

Banks: police called in

OFFICERS from Scotland Yard's Fraud Squad are in the tiny Caribbean island of Montserrat – at the invitation of the British Governor, Christopher Turner – trying to unravel a spate of banking irregularities.

This column explored the problems in Montserrat's banking system on July 22 after Timothy Eggar, then Britain's Foreign Office Minister, had warned individual investors to "exercise caution in any dealings with banks registered there."

The article also referred to one particular bank, Union Bank of Commerce, which appeared to have issued a $5m bearer Certificate of Deposit (CD) on May 18 this year – more than six weeks after its licence had been revoked by the Ministry of Finance in Montserrat. The CD is signed "Maurice Deveaux," president of Union Bank.

We have since heard from David Austin, representing the Union Bank of Commerce, who contacted us from Nashville, Tennessee. Austin is *adamant* that the $5m CD is a "complete forgary . . . printad and *issued somewhere in Europe*." He is offering a $1,000 reward for the recovery of the original *instrument and the identity of* the person responsible.

Austin adds that if anyone can prove the CD was issued or authorised by the Union Bank of Commerce or any bona fide officer (and is not a forgery), "we will pay a $100,000 reward." He says these offers are to find the "monkey in the wood-pile" and to stress that Union Bank of Commerce is "innocent of this crime."

Strong stuff. But whether the CD is a forgery or not, there is still considerable disquiet about the activities of Union Bank. It was established in 1985 by Jerome Schneider, chief executive of the WFI Corporation of Beverly Hills, California. Schneider specialises in setting-up banks in the Caribbean and Pacific islands and then selling the licences.

Two years later, Union Bank of Commerce was sold to Charter Marine Group Inc., a Panamanian company. Union Bank acted as a private bank for Charter Marine and, according to Austin, also represented a *number of* international "business" customers.

According to Union Bank's literature, it offers such services as chequeing (*sic*), savings, loans, trust services and international transfers. In what was presumably a comfort for the bank's shyer customers, the literature also promised "never to release information to governmental agencies unless instructed by the customer or by court order."

According to Austin, the Montserrat government was "handing out bank licences like candy and grabbing the money." Now, he maintains, it wants to "make themselves look good and will castrate the bank-owner."

Union Bank of Commerce had its licence taken away on April 4 because it did not comply with a technicality, according to Austin. However, Turner says the Montserrat authorities became aware the bank was still operating as recently as July this year. As a result, the Montserrat police raided the bank's offices in Plymouth, the capital, and removed dozens of files.

Union Bank of Commerce is well known to enforcement officers at the Office of the Comptroller of the Currency in Washington DC, the main US federal bank regulator. In October 1988, the office issued a warning that cheques drawn on Union Bank had not been paid.

Subsequently, police in the Kenner suburb of New Orleans, Louisiana, investigated complaints from local residents that cheques drawn on Union Bank were not being honoured. Detective Buddy Hartle, of the Kenner Police Department, confirms that a man has been charged in this connection and is awaiting trial.

Meanwhile, Austin is running his own off-shore bank sales business from Nashville. It is called Direct International Exchange (DIX). Potential buyers are told that the many benefits of having their very own offshore bank include the legal concealment of assets from creditors and others; shifting investments without taxation; lending money at any interest rate; and by-passing the Federal Reserve.

John Shockey, an enforcement officer *at the Comptroller's Office* in Washington, warns that "prostitute banking" is on the increase. On the central Pacific island of Nauru, you can now buy your own bank for as little as $7,500, he says.

■ *Peter Gartland is editor of The International, the FT's magazine for expatriates.*

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	Compounded return for taxpayers at 40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	4.50	4.60	3.68	monthly	1	-	0-7
High interest cheque	6.50	8.70	5.36	monthly	1	500-4,999	0
High interest cheque	8.00	8.30	6.64	monthly	1	5,000-9,999	0
High interest cheque	8.40	8.70	6.96	monthly	1	10,000-49,999	0
High interest cheque	*8.80*	9.20	7.36	*monthly*	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.00	8.09	4.87	half-yearly	1	1-250,000	0
High interest access	8.00	8.00	6.40	yearly	1	500	0
High interest access	8.25	8.25	6.60	yearly	1	2,000	0
High interest access	8.75	8.75	7.00	yearly	1	5,000	0
High interest access	*9.00*	9.00	7.20	yearly	1	10,000	0
90-day	9.00	9.20	7.36	half yearly	1	500-9,999	90
90-day	9.45	9.67	7.74	half yearly	1	10,000-24,999	90
90-day	10.00	10.25	8.20	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	10.75	8.06	8.45	yearly	2	5-100,000	1 mth
Income bonds	11.50	9.09	7.28	*monthly*	2	2,000-100,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue◊	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.17	10.66	8.53	monthly	1	2,500	0
Provincial Bank	10.27	10.77	8.62	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	12.61	10.49	9.23	half yearly	4	-	0
8pc Treasury 1992	12.15	10.03	8.76	half yearly	4	-	0
10.25pc Exchequer 1995	11.11	8.49	6.92	half yearly	4	-	0
3pc Treasury 1990	11.34	10.55	10.08	half yearly	4	-	0
3pc Treasury 1992	10.14	9.31	8.80	half yearly	4	-	0
Index-linked 2pc1992§§	9.35	8.85	8.54	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day: Immediate access for balances over £5,000.◊ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

When money talks

I ONCE went into a bank to change my dollars into local currency in the Brazilian city of Manaus, on the Amazon River. The teller was astonished that anyone could be so stupid and directed me towards the proper place for such transactions, a "travel agency" around the corner where money changed hands at the free market rate. Suddenly, my dollars were worth more.

On the same holiday, I shared a cargo plane to Georgetown, Guyana, with a man who made his living by smuggling Guyanese gold into Brazil. He carried a conspicuously large package of black market Guyanese dollars, but said he had a friend who worked at the airport customs. His friend was not there; he was arrested.

Black markets in money are a global phenomenon. They appear in or near virtually every country with foreign exchange restrictions or with an officially over-valued currency which is impossible to buy or sell abroad in the conventional way. But holidaymakers and business travellers, torn between the lure of cheap money and the fear of being caught, are often full of anguished uncertainty about what to do. In some parts of eastern Europe and the Third World, you would be a fool to dabble in the black market; in others, you would be a fool not to.

Victor Mallet explores the black market in currencies

Quite apart from the risk of arrest, travellers often face a moral dilemma. One holidaymaker who went on a package tour to the USSR tells of a member of the Socialist Workers Party who – almost alone among his fellow travellers – refused to exploit the black market for fear of destabilising the Soviet economy.

But can this rectitude be maintained in Angola when a packet of cigarettes bought on the street costs $70 at the official rate of exchange? And what of the ambiguous moral position of aid agencies in the Third World which want to use their donors' dollars to the full by buying food at realistic exchange rates – without necessarily breaking the law or undermining the economy of the host country as a whole?

Governments around the world are always making complex and, ultimately, futile bureaucratic attempts to maintain the fiction of a strong national currency. Sometimes, they invite abuse by establishing multiple exchange rates – one for tourism, perhaps, and one for business. Often, they insist that you fill in currency forms on arrival and departure in an attempt to keep track of your foreign exchange. None of this deters the ubiquitous men with calculators on the streets of the world's tourist spots. From China to Peru, professional black marketeers, taxi drivers and hotel porters greet you with wads of filthy banknotes and the catchphrase: "Change money?"

Leaving aside the question of financial reward, the free market is often more accessible than the banking system – and it works longer hours.

The benefits and risks of taking the free market plunge vary from country to country.

At the (licenced) money-changers in East Jerusalem, you would get only a few per cent more shekels for your dollars or pounds than you would at the bank. Brazil recently has introduced a tourist exchange rate that makes the black market less attractive.

On the streets of Moscow, you might increase the rouble value of your money more than 10-fold, but it could be dangerous. In Poland and Czechoslovakia, changing money is said to be a routine affair; a good meal in Warsaw can be had for a dollar, and antiques are going for a song in Prague. In China, the money-changers wait outside the Friendship Stores; your foreign exchange certificates, prized for the scarce luxuries they can buy in these special shops, can be sold at double their face value.

If you abhor the sordid business of handling real money, you might prefer a widespread, equally cheap and generally much safer way of paying for a holiday – by cheque. It is a system used commonly among friends and relatives when one party lives in the Third World.

Mr A's cheque – say, a British cheque in sterling – is deposited in Mr B's account in London. Mr B lives abroad and gives Mr A his holiday money in local currency at a free market rate. Mr B gains foreign exchange, while Mr A's currency forms and the foreign exchange in his wallet suggest that he has not been selling money on the sly although he seems to have spent very little on his vacation.

Barter can be just as effective and it is probably more respectable from a juridical and moral point of view. There was a time when it was de rigueur to take several pairs of jeans to sell or exchange when holidaying in the Soviet Union. Radios, portable cassette players, cameras, batteries, books, coffee, Western cigarettes and fashionable T-shirts are all typical barter items. Often unobtainable in the countries you visit, they command black market prices.

Black markets are as numerous as the countries in which they operate, and conditions can change suddenly if a government decides either to crack down and enforce the law, or to accept the inevitable and legalise the free market. A few words of advice:

■ Obtain the latest information about the country you plan to visit, preferably from someone who has just returned. Guidebooks are almost always out of date. Use the free market when it is semi-legal or accepted as the norm by the authorities. If in doubt, or fearful of agents provocateurs, forget it. Do not risk losing your peace of mind.

■ Beware of con-men. Find out both the official rate and the rate on the black market (also called the parallel market) before you deal. Know the money and watch out for old banknotes which are no longer in circulation. Check the number of zeros in the transaction and watch for double-counting of notes. The tourist technique in China, I am told, is to put your dollars on the ground, stand on them, and lift your foot only when you are satisfied with the transaction.

■ Fill in all currency forms as accurately and plausibly as possible. If you must lie, do it on the way in, not on the way out. It is usually illegal to take more than a small amount of local currency in or out of the country and it is probably not worth it, anyway.

■ Take dollars. The cash dollar is the international currency, although occasionally others will do. In Brazil, inflation is such that the local money loses 1 per cent of its value a day. No wonder Brazilians hang on to their dollars.

Uncertain of motives

ABOUT FOUR years ago, my brother-in-law bought my mother-in-law's council house in her name. She made a will in his favour and he secured the house to her during her lifetime, with the agreement of his sisters. Recently, he has asked her if she will sign an agreement (or codicil to the will) gifting the house to him in order to avoid either inheritance or capital gains tax.

As in the past, his wife has expressed a desire to my mother-in-law that the house should be sold and that she should live with them in their home. She is uncertain about the motives of this additional arrangement and is concerned that, by signing this document, she could forfeit her rights to tenancy.

My mother-in-law is 76 and the value of the house is around £80-85,000. She has no capital or income other than the state pension, and her total estate when she dies would certainly not reach the £118,000 at which I understand inheritance tax would be paid. Am I correct in assuming that CGT would not be payable by my brother-in-law on receipt of the estate, other than on its disposal, and that there would be no benefit to him by the alleged gifting of the property.

■ As you say, capital gains tax is levied on disposals of assets, not upon the gratuitous acquisition of assets. Your brother-in-law appears to be under a basic misapprehension as to the taxation consequences of what he has suggested.

Perhaps a tactful solution would be for your mother-in-law to say that she will consult her solicitor (since she would need his services in preparing the documents, anyway; or, if you mean that documents have been prepared already by your brother-in-law's solicitor, it is routine that they be looked over by her own solicitor). Our guess is that her solicitor will advise her to maintain the status quo, for one or more of a number of reasons.

Row over alimony

A FRIEND was divorced some 10 years ago and is now concerned about future payments of alimony. Her ex-husband has married again and lives on the Continent. The alimony is now due for review but he refuses to acknowledge the fact and has threatened to stop the payments altogether if further approaches are made.

Has his former wife any protection in law against complete stoppage of payments or a refusal to accept an uplift in payments to take inflation into account?

■ Your friend should refuse to be bullied. She should apply for such variation of the maintenance order as may be appropriate. The new (or, indeed, the old) court order can be enforced in any EC country.

Tax status of loan

MY COMMON law wife and I are both employed and we run separate businesses. I do her accounts and work with her quite a lot though we are taxed separately and produce separate accounts.

Two years ago, we lent her family a large sum of money which was secured on land where there was potential for development. The land is now not likely to be developed and, as agricultural land, will not repay the loan.

The money came from her bank account – secured by my shares – and is being repaid by profits from her business. At the time of the loan, she had been in business for only two years.

Can you advise me how the loan should be treated for tax purposes, or are there any text books on the subject?

■ Unfortunately, you have given us insufficient data for a succinct answer. If you mean that your wife borrowed money from her bank in order to lend it to her relatives, then the interest which she pays to her bank on that loan will not be deductible in computing her profits for income tax purposes. This is because the money was not borrowed for use in her business (assuming that her business does not include money-lending or property speculation).

No tax relief will be available if her relatives are unable to repay the loan in full.

So far as we can deduce from the background, the answer is that the loan by your wife and the borrowing by your wife from her bank will have no taxation consequences.

If the unexpected happens and the loan is repaid by her relatives with a payment related to their profit, then your wife will be assessed to income tax on that payment (under case III of schedule D) with no relief for the interest which she has paid to her bank. You might also have an income tax liability.

The fact that you and your wife are not married legally does not affect anything we have said.

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Repairing a chimney

OUR HOUSE is in the middle of a terraced London street. Each house has a brick chimney stack on the dividing line and nine chimney pots, eight of which service hearths on the right-hand house.

Who is responsible for repairs to the brick chimney stack and/or ceramic chimney pots? In our case, the left-hand chimney stack (serving eight of our hearths and one of the neighbour's) has lost bricks from our neighbour's side, which could cause some of our chimney pots to fall. The missing bricks are not visible from our roof side where the chimney stack pointing is in order.

We have pointed out that some bricks have already fallen onto our neighbour's side and broken a few slates on their roof. They contend (amicably enough) that it is our responsibility since the brickwork at that point supports our chimney pot. How should we proceed?

■ The responsibility lies initially with the person on whose side of the dividing (boundary) line the disrepair occurs.

However, you are probably within the area governed by the special provisions relating to inner London, where statute provides means of effecting repairs to party walls or party structures by using a process of party wall awards. Consult a surveyor as to this.

MINDING YOUR OWN BUSINESS

You must make your cash work for you if you want to succeed, says **Roger Bardell**

Why money sense is all-important

"CASH-FLOW crisis" started to appear in newspaper headlines about 10 years ago, largely as a symptom of the economic recession and the debt payment difficulties of Third World countries. It was seized-upon rapidly and became part of everyday language – a useful catchphrase.

As a bank manager, I recall people saying things like: "I have this cash-flow problem" when they really meant: "For the 58th month in succession I've spent more than my income," or: "I've committed the business to buying a new Porsche but one of my customers has gone bust and we can't afford to pay for it."

Both examples contain elements of the truth, but they are not strictly to do with cash-flow. Admittedly, both involve shortages of cash and both represent crises. But they are exaggerated abuses of business language that arouse little sympathy in the breast of your bank manager.

If your business runs out of cash to pay day-to-day bills, you can no longer continue – and I include in that cash which has been borrowed from your bank or elsewhere. But a distinction must be drawn between cash (and its creation) and profits.

A business can operate for many years without making profits provided that cash is available, but a profitable company cannot survive the wages day if it does not have the cash. It does not matter what value can be placed on its properties, or how much is owed by debtors or is in stock; if such assets cannot be converted into "real" money then the business cannot continue.

"But," I hear you say, "this is all unnecessarily confusing. Surely, if I buy goods or raw materials and sell the end product for more than the cost, I am making a profit and generating cash at the same time?"

Not so. To understand why, it is worth understanding such concepts as Break-Even Points and the Working Capital Cycle. Here are a couple of examples:

■ You buy goods for £1,500 cash and sell them for £2,000 cash, thus yielding a "profit" of £500. However, your rent is £1,000 a year and so, if that transaction is your only one that year, you have made a loss of £500. If you have already spent the original £500 surplus, you will have a problem when the rent falls due. You need to do twice as much business in the year in order to cover the rent. In other words, the Break-Even Point is sales of £4,000.

■ You buy goods for £1,500 cash and sell them on credit for £2,500. Thus, the "profit" is £1,000, and enough to cover the rent. However, you obtain another order but do not have the cash available to go out and buy the goods – unless, of course, you can borrow it.

This illustrates the so-called Working Capital Cycle: cash buys goods which are processed and sold and become the debtor's property. Eventually, the debtor pays you and, with the money, you can then buy more goods (as well as paying the rent, of course).

The secret is to speed-up the process by finding new customers, by cutting costs, by introducing new products, or simply by bridging the gap between the various stages of the cycle. Which leads us on to a depressing discovery: to succeed in business, you need to know something about money.

No matter how good a mechanic, poet, seamstress or plunket-knurdler you are, to be successful in the business sense you have to have some grasp you of the financial side. Instead of just working for money, you must make the money work for you.

On the assumption that your business is viable and that customers share some of your interest in what you sell, there are many ways of ensuring that cash is available to you when you need it:

■ Be careful about giving trade credit for unreasonable periods of time. Each day that you are not paid represents a cost in terms of interest lost. You can offer discounts for early settlement, but take a little care. Offering 10 per cent off for paying a month early is equivalent to some 120 per cent in a full year.

■ If your own suppliers offer credit or discounts, the same principles apply in reverse – and you can turn that to your advantage.

A golden rule is: use your bank. The most common criticisms of banks are that they lend money rashly as part of a conspiracy to force people into debt; that they are mean and enjoy turning down requests;, and that they are interested only in lending at very low interest rates to South American republics.

The truth is that they play a leading part in lubricating the Working Capital Cycle. Overdrafts are designed for precisely that reason: short-term lending in anticipation of sales.

Generally, the bank will agree to a ceiling figure and it is expected that the balance will fluctuate up to that figure, even running in credit from time to time when funds come in.

That last point is particularly pertinent with seasonal businesses – ice cream manufacturers and Christmas tree merchants are prime examples – although I have heard cynical bankers say that, in the case of farmers, the overdraft "limit" is the level to which the borrowing is reduced when the harvest comes in.

For longer-term needs, it makes sense to borrow over a longer period. The life of a vehicle or a piece of machinery, for example, might be several years and it earns its keep over that time. Logically, therefore, repayments should be phased more in line with earning power and business loans, hire purchase or leasing are eminently suitable.

Similarly, properties generally have a much longer life, and mortgages taken out over a number of years prevent larger slices of cash being taken out of the business all at once.

There are many variations on this theme of "smoothing" the fluctuations in income. Factoring, for example, is a specialist but straight-forward way to anticipate payments from debtors. In the field of imports and exports, there are a number of ways to overcome the additional problems of distance, currency fluctuations and timing. Again, banks can help you.

It is important to keep the cash rolling around the system, and I have suggested a few ways in which you can ensure that this happens.

To borrow, you will need to convince the potential lender that you will repay, and there is no real substitute for a good trading record. But, everyone has to start somewhere, and a coherent business plan based upon realistic assumptions that can be tested properly is substantially better than: "There are loads of cheques in the post to me."

■ *Roger Bardell is divisional manager of Lloyds Bank Small Business Services.*

So you think old inevitably means gold? **Paul Abrahams** finds a couple with a cautionary tale to tell

How antiques proved a loser

DEALING in antiques appears, at first sight, to be the perfect start-up business. The amount of capital needed initially is limited, the margins are high, and indulging a personal interest should, in theory, be fun.

But the reality of the antique trade, as 29-year-old Bridget White discovered, can be very different.

Bridget was drawn into antiques by her boyfriend, Garry, 28, who was interested in bric-a-brac. After being unemployed for some time, the couple decided to set up a stall in Camden market, north London, in January, 1988.

They sold items which Bridget describes as ranging from really bad junk to slightly better junk. For the most part they dealt in the remains of 1950s' households: old tins, bottle openers and glasses.

The initial money for the stock came from National Westminster Bank which, Bridget says, was the most responsive of the banks they approached. Their sales covered the £30 needed to pay for the stall each weekend. For living expenses, they had £40 a week each supplied by the Enterprise Allowance Scheme.

"We had been considering setting up our own business for some time - neither of us liked working for other people," Bridget says. "But the Enterprise scheme gave us the push."

They soon tired of selling junk and started to move up-market, dealing mainly in Victorian silver. But they became interested in pottery manufactured by William Moorcroft after seeing some at an auction preview.

"We'd never come across Moorcroft before, but we liked the look of it," Bridget says. "We went to the local library, looked it up, and bought the piece that evening. It cost £50 and we sold it for £100 - we were ecstatic."

The problem was that neither the silver nor the Moorcroft pottery was particularly cheap - and, as a result, they ran quickly through the £1,000 overdraft agreed by National Westminster. The small business adviser at the bank saw their accounts and cash-flow projections, listened to their plans to move up-market, and increased the limit to £3,000.

Everything appeared to be going perfectly. They concentrated their efforts on a stall at Bermondsey market in south-east London, abandoning down-market Camden. Takings were about £400 a week.

"We then did a dreadful thing," Bridget says. "We registered for VAT.

"Our naivety was dreadful. Most people officially keep their turnover below the VAT limit, but our turnover had passed £21,200 which meant we had to put 15 per cent on our prices to meet our tax obligations. The silver market is really competitive. The extra 15 per cent meant that takings collapsed at a time when silver represented something like 90 per cent of our business. Some days, we didn't sell a thing."

They decided to sell the silver and concentrate on the Moorcroft pottery. In August they moved to a stall at Alfies, an antiques market in Church Street near Marylebone railway station. Some of the silver had to be sold at a loss but the money was re-invested in the Moorcroft. Takings began to pick up although the VAT forms remained horrifically complex.

Paul Murphy

Bridget White with a Moorcroft ... "our naivety was dreadful"

They returned to the bank and, this time, saw the assistant manager. Explaining their new specialisation in Moorcroft and the advantages of their improved location, they asked for an overdraft limit of £10,000. Bridget says he gulped and gave them £7,000.

His confidence appeared well-placed. They soon became known as specialists in Moorcroft. Private collectors and dealers came to them from as far away as Japan and Australia. In November they took £7,000, selling some items for as much as £800.

"Then we did another foolish thing," Bridget says. "I'd never been in debt before - in fact, I'd never even owned a credit card. And I was nervous about the amount of money we owed the bank. In October, against the advice of the bank manager - the head of the branch, this time - we converted the overdraft, which was now at £12,000, into a £15,000 loan over five years. We thought we could handle the repayments - £378 a month. We needed to make £500 to stand still.

"The problem was that sales collapsed almost immediately. The price of Moorcroft had been rising quickly as it became more fashionable. But prices overseas failed to follow those in the UK. Foreign dealers stopped visiting. At the same time, high interest rates began to bite - both expenditure on antiques in general and our loan repayments in particular. Things began to get tight. In January, the Enterprise allowance stopped - we had been on it for the statutory year."

Bridget explains that the business was still ticking over, more or less, but that it soon became boring. Sitting in the stall during the hot summer without making any sales was little fun.

"We were in a stalemate. Without making any sales I couldn't do any buying, even when we saw good pieces. And we didn't want to borrow any more money," she says. To meet the bills, Garry went back to electrical work and set up his own company.

In the meantime, Bridget moved into a shop-unit at Alfies. The opening party for established customers took place on one of the days London came to a standstill during a public transport strike.

Although the location of the shop was better than the stall, sales never really took off and, by the end of the summer, the two of them decided to pull out. They sold the shop fittings and will be selling the stock during sales over the autumn.

Bridget reckons that, at worst, they will end the venture £3,000 down; if they're lucky, they could make a small profit after auction fees. The bank, she says, has been very helpful: they kept it informed throughout.

"I don't regret the experience at all," she says. "There were times when I really wanted to spend some money on clothes or a hair-cut rather than putting it back into the business. But we survived for two years, made a lot of friends and learnt a lot."

"If we hadn't borrowed the money, we would still be selling junk in Camden. Antiques is hard work - waking up at three in the morning to get to a market is hardly fun - but when it works it's worth the effort."

Once she has cleared the debt with the bank, Bridget hopes to start dealing in Moorcroft again; but privately, without the overheads of a shop or stall.

DIVERSIONS

I SET MYSELF a goal: to climb the steep 2,000ft incline of Bill's Buttress, to Camp 1 on Mount Everest's treacherous, unclimbed north-east ridge. Admittedly, it wasn't the summit; but then, I am not a mountaineer. My aim was more modest: simply to taste something of what drives seemingly sane men to sacrifice *thousands of pounds*, steady jobs and, all too often, a steady family life with one purpose in mind – to climb and conquer the world's highest peak.

The buttress suited my purpose well. It was steep, it was on the mountain proper and it had a conclusive summit of its own, where it met the north-east ridge. And, at 23,500ft, it was high enough to feel the real effects of altitude. Indeed, it was half as high again as any peak in Europe; higher, in fact, than any point in the western hemisphere.

My pursuits were not without the involvement of the climbers themselves. Chhwang, our head Sherpa, selflessly handed me his crampons and climbing harness while Tim Gage, one of the five Americans on the expedition, took time to instruct me on the elementary skills of ascending and descending fixed ropes.

He showed me how to plant *my feet in the snow and how to* pull up on the ropes and abseil down, full body weight leaning from the slope. How also to fall prostrate, ice-axe in the ground, should he or anyone else tethered to the same rope happen to fall headlong into a crevasse on crossing the glacier to the mountain face. (Fortunately for everyone concerned, this proved academic).

Accompanied by American climber Kurt Fickeisen, I set off from the advanced base camp on a day when favourable weather coincided with the will to fulfil my goal. It is a strange thing at altitude, but there are some mornings when no amount of encouragement could generate the motivation to put one foot on the mountain – lack of oxygen simply drains every ounce of energy from your body.

This particular morning, though, I felt strong. Stepping out onto the glacier, it was as if all our hard work – all the preparations over the preceding months, the weeks acclimatising and the long, tedious trek to the advanced base camp – had been proved worthwhile.

It was a strange and extraordinarily beautiful place. Crunching through the fresh snow, we left all signs of human habitation behind us; the vast expanse of the glacier surrounded us, completely. Long, oblong crevasses lay dark in the snow like sharks lying in wait on an otherwise tranquil sea.

In the distance, across the virgin snow to our right, stood the historic North Col, rising from a mass of broken ice. Straight ahead was Bill's Buttress. It was time to put my climbing lessons into practice.

Following in Kurt's well-trodden footsteps, I clipped onto the fixed rope and took one deliberate step and then another. Each foot gained was rewarded with an increasingly wonderful scene as one Himalayan peak came into view behind another, each gleaming white in the sunshine. We climbed for four hours in scorching heat, gaining perhaps 1,500ft, but our fortune was not to last. It began to snow, masking our vision and chilling our bones.

The climb became a test of endurance. Snow whipped in our faces. There was nothing but grey, punctuated by the disturbing sound of avalanches rumbling off unseen slopes. We rested longer with every step, the air now uncomfortably thin. Alone, I have no doubt that the last hundred feet would have defeated me; I would have turned right around and gone back down, but for Kurt encouraging me to the last.

Such was the effort that even 20 yards from the top, and within sight of Camp 1, I sat back in my harness and rested for 10 minutes or more. The reward, the feeling of relief on collapsing exhausted into our tiny tent pitched on the mountain ridge, was immeasurable. There was the sense of achievement but, more important, there were hot noodles on the boil and countless bars of chocolate. For a moment, perhaps, I understood why mountaineers are what they are. In one day, I had experienced moments of extreme physical discomfort, but also moments of wonder.

So near, so far . . . Kurt Fickeisen on Bill's Buttress, a climb that became a test of endurance

Snow and old bones

***Rebecca Stephens** reports on the bid to scale the unclimbed north-east ridge of Everest*

STANDING at Camp 1, Kurt said: "From here, everything looks so close." His mind was on tha summit. It all looked impossible to me but it was true that, from our position on the ridge, we had a foreshortened view of the first and second buttresses and, beyond them, the rocky pinnacles that had ensured so far that this unclimbed north-east ridge could rightfully hold onto its name.

Sadly, appearances can be desceptive. Not only was the route in reality five miles long, but it was also laden heavily with snow. The monsoon was late this year, bringing with it fresh helpings of snow almost daily. Advanced base camp was beginning to resemble a ski station (with the French, in particular, adding to the effect in their brightly-coloured Day-Glo attire); on the ridge, a 3in. wind crust was just the topping on 4ft of powder.

Climbing beyond Camp 1 was almost impossible. A shovel was required, together with phenomenal strength to cover just 100 yards in a couple of hours. It was also dangerous.

Three of the Sherpas had a close shave when an avalanche fractured just 10 yards from where they were standing. They came scurrying off the mountain in a flash and didn't even stop at the advanced base camp, choosing instead to walk another 13 miles and recuperate for a few days at base camp.

We weren't alone, of course, in being hindered by the adverse weather; a snow slab wiped out a French stock of oxygen while, on the west ridge, an avalanche blew away the Chilean advanced base camp. In another incident, a Chilean and two Sherpas were left perched precariously on a ledge after an avalanche swept away their snow cave.

With luck, though, the winds might change to bring more stable weather from the north and provide a window in which to climb before the winter temperatures once again drive climbers off the mountain. *Climbing expeditions*, however well-planned and prepared, take their chances with the elements.

We were reminded of this by a heap of bones we assumed to be the remains of Maurice Wilson, an Englishman who died – presumably of hypothermia – during a solo attempt on Everest in the Thirties. We had heard of his whereabouts from the Spanish and now here he was, bundled with a few remaining scraps of pre-war clothes, a tent and an old leather belt on the edge of the moraine just a few yards from our advanced base camp.

Wilson was a man who had virtually no flying or climbing experience; but he piloted himself to India, smuggled himself into Tibet and made at least an attempt at soloing Everest. Predictably, he came to a sticky end.

Bits of him were recognisable: the odd thigh bone and rib and a mummified thumb, but other bits were missing, and no wonder. A Frenchman unfolded a piece of tissue proudly to show me an upper jaw bone he had extracted from the pile. It was complete with teeth and a chunky gold plate, which he was taking back to France for identification. I don't suppose his curiosity was unique.

■ *The British climbers on the Everest Final Challenge expedition are sponsored by E. D. and F. Man International, British Alcan Aluminium, and Thai Airways.*

Elephants at bay

***Peter Knight** has doubts about a plan to save them*

IF AN ANGRY bull elephant with a poacher's bullet in its hide was *looking for someone* to gore, it could make no better choice than a self-assured French-Canadian bureaucrat called Eugene Lapointe. He is the secretary general of the UN-backed Convention on International Trade in Endangered Species (Cites) which meets in Lausanne, Switzerland, on Monday for two weeks. One of the main proposals under discussion will be a world ban on the ivory trade.

Lapointe's job is to protect endangered species from extinction. He thinks the best way to save elephants is to shoot them and turn their tusks into trinkets. He believes genuinely thet the best method of protecting the fast-dwindling population of African elephants is to "manage" the *herds, as if they were deer.*

The 50-year-old lawyer has been in charge of Cites for the past eight years. This year, he has run an unprecedented public relations campaign against an ivory ban, using the resources of his secretariat to spread his personal message. Lapointe is backed by a mixed group with a vested interest in maintaining an ivory trading system which has made many people rich but failed to protect the elephant.

Behind Lapointe are:

- The 10 professional staff of the Swiss-based Cites' ivory unit, whose work is subsidised heavily by "no-strings" contributions from the ivory trade.
- An unusual alliance of two front-line African states, Zimbabwe and Botswana, joined by their arch political enemy, South Africa.
- One of the world's biggest importers of endangered species and consumer of whales – Japan.

The Japanesa and Hong Kong ivory traders who, quite legally, make generous donations to the cost of running Cites, are also backing Lapointe, although not openly.

Opposing this strange alliance are every respectable wildlife conservation group around, including tha World-Wide Fund for Nature (WWF), most European Community countries, the US, and the African states of Tanzania, Kenya, Zambia, Gambia, Chad and Somalia. This group wants the trade in ivory banned and the African elephant taken off the Cites' list of animals that can be traded under certain conditions (called Appendix II) and placed on the banned list (Appendix I). That would mean no African country could export ivory legitimately and no country could import ivory.

Under the present system, there is a legitimate trade in ivory sanctioned by Cites and an illegitimate business that rides piggy-back. Most – indeed, 80 per cent – of the trade is illegal and its existence depends on the official side. Lapointe's system is similar to legitimising parts of the cocaine business. It can't work.

PLANET EARTH

Lapointe and his backers think otherwise: "We do not believe the ban can work. Bans have tendencies to drive trade underground. There will always be a demand and the elephant will continue to produce ivory." He believes strongly in wildlife management and the economic argument that local people must be given an incentive to protect the beasts that roam around them. The only way this can be done, says Lapointe, is to put a price on elephants' tusks.

This scheme relies on governments to manage the herds, make regular culls and sell the ivory. The theory is that the money is put back into management and, therefore, into the conservation of the herds.

In Lapointe's favour, part of this scheme appears to have worked in Zimbabwe, but perhaps not as well as he would have us believe. For example, there is a dispute about actual numbers of elephants claimed by Zimbabwe and its neighbour, Botswana. This is because of the difficulty in counting animals that roam thousands of miles across international borders. Some say the same elephants have been counted in both Botswana and Zimbabwe, and each has used the figures to compute how many elephants must die in the next cull.

More important, though, the money brought by the sale of ivory does not necessarily end up in the conservation budget. It is often diverted mysteriously to other projects which have a greater political importance. This is not unusual in Africa. *And neither are the* poachers who continue to pursue the Zimbabwean elephant, even though the rangers shoot to kill and the locals have, in Lapointe's view, a vested interest in protecting their wildlife.

A survey conducted two weeks ago in Gonarezhou Park on the Mozambique border found 1,000 dead elephants killed by poachers.

Even if the loopholes were blocked and euper-efficient managers from IBM were given the job of managing the elephants in Zimbabwe, the existence of a legitimate trade inevitably gives poachers and greedy dealers e chance to corrupt the system. Lapointe admits: "So little is known of the illegal part of the ivory trade because so much money is involved and there are so many chances to find loopholes."

This has happened in a spectacular fashion already when Cites allowed Burundi, a central African country with no elephants at all, to become an ivory exporter. Thousands of tons of poached ivory was laundered through Burundi with the full backing of Lapointe's unit. Cites thought nāively that it was a way of eradicating a poacher's stockpile, but Burundi is still holding sizable stocks ready for export.

The emptiness of Lapointe's argument is demonstrated clearly by the falling price of ivory after countries such as Tanzania and Kenya called on major importers to ban the trade. The US and EC countries have responded and world demand has dropped – so much so that wholesale prices in Zaire, for example, have halved and middlemen cannot afford to give poachers the customary advances.

It is a simple economic argument: cut demand and the supply will dry up.

Motoring

Rover pinning hopes on debut of new model

***Stuart Marshall** previews Motorfair '89*

LONDON'S biennial Motorfair has come a long way. It started in 1977 to fill the gap created by the annual motor show leaving Earl's Court for Birmingham. But the Society of Motor Manufacturers and Traders, which ran the show, was not amused and, by leaning on its members, succeeded in getting the fair cancelled in '79.

The society then had a change of heart. Motorfair '81 was a joint effort between it and Earl's Court Exhibitions and the event has never looked back. This year'a Motorfair, from October 19-29, promises to be the best yet.

Rover's new and crucially important 200 Series replacement is making its world debut there. So are the long-awaited Lotus Elan and Panther Solo sports cars, and a prototype from Seat (the Spanish end of Volkswagen) that will not go into production until 1990.

Three new Mazda 323 models – three- and five-door hatchbacks and a four-door saloon – are being introduced to UK buyers at Motorfair while Honda's new Accord, the Daihatsu Applause, Ford's Fiesta XR2i and the Citroen XM will all be making their first British appearance. The XM will be on sale by the end of the month, the three-litre V6 model fitted with a catalytic converter as standard.

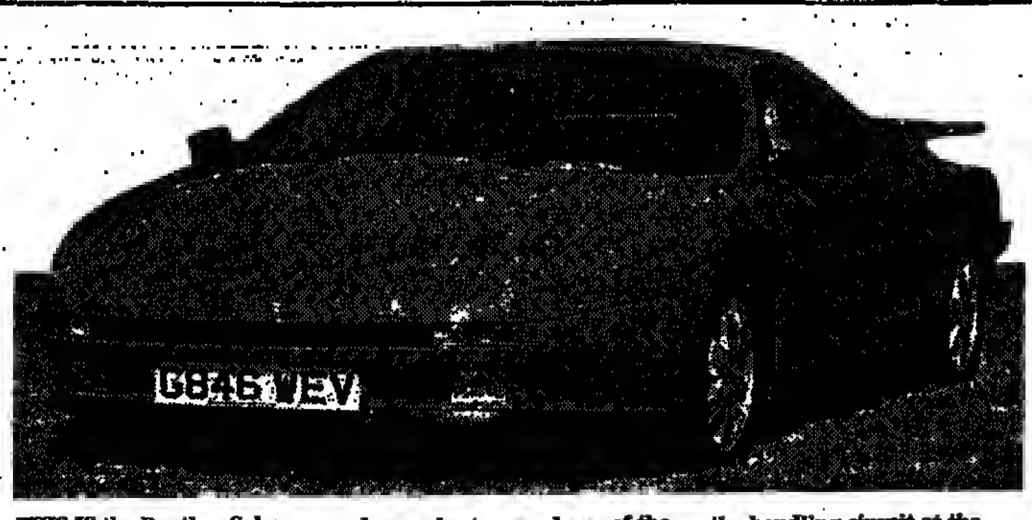
Two more Japanese cars that made their European debut at Frankfurt last month will be seen in Britain for the first time at Motorfair. They are the 1.6-litre, 16-valve Suzuki Swift saloon with four-wheel drive, and the 2.2-litre Subaru Legacy.

The latter, from a manufacturer known best for bringing four-wheel drive to country motorists at sensible prices, will score a number of firsts. So will a new version of the little Justy. The Subaru stand will be well worth visiting.

Motorfair is pitched mainly at people who either buy their own cars or can tell their employers which model they would like to drive. But it will also attract a lot of car collectors and investors.

Brooks, the recently-formed specialist collectors' car auction house, will be putting several millions of pounds worth of sports and racing machinery under the hammer. At least one of the cars, a 1955 Jaguar D-type, is expected to make more than £1m. The sale is at 7pm on October 26.

As always, and paradoxically, *Motorfair is reached* most easily by public transport. Parking at Earl's Court is so limited that it really does make sense to let the underground train take the strain.



THIS IS the Panther Solo: four-wheel driven, powered by a turbo-charged Ford Cosworth engine, and priced at just under £40,000. It has been talked-about for years and has finally gone into production.

Until now, Panther has been known best as producer of the Kallista, an amusing pastiche of pre-war sporting two-seaters. But with the Solo, it has entered the super-car league.

The Solo is said to be capable of more than 150 mph (240 kmh) and to have lapped the handling circuit at the Millbrook proving ground in Bedfordshire faster than any other car.

It could well be an instant collector's item. Only 100 of the hand-built cars will be allocated to the UK market each year.

Drivers ignore US limit

HAS THE 55 mph (90 kmh) speed limit in the US had its day? It was introduced during the 1973 oil crisis mainly as a conservation measure and has persisted, although some states now are allowed to raise the limit to 65 mph (105 kmh) on non-urban freeways.

Once, it was enforced fairly rigorously and observed generally. For all I know, it might still be in states like Florida. When last I was there, the crews of the black and whites (police cars) were particularly fierce and unyielding with anyone who went a couple of miles an hour over the top.

Last week, though, when I was driving in the Los Angeles area, few drivers seemed to be paying the slightest attention to the frequent 55 mph signs. On the mainly 10-lane Los Angeles to San Diego Highway 5, the going rate was 70-75 mph with plenty of cars doing 80-plus. Only in rush-hour *did it* slow down, simply because the sheer weight of traffic prevented higher speeds.

Off the immensely wide freeways, the pace of traffic was still a great deal smarter than the posted limits demanded. The steep and winding Route 74 from the coast to Lake Elsinore is not unlike a typical British A-road through hilly terrain. Most of the local drivers using it were pressing on like Germans – or British sales reps in their Sierras and Cavaliers.

What has changed? When the limit first came in, the typical American car was an 18 ft (nearly six metres) long behemoth, chrome-encrusted, V8-engined and endowed with the handling and road-holding of a part-set fruit jelly. In California, at any rate, these Detroit dinosaurs are now in a very small minority.

From my observation, Japanese and (to a lesser extent) European imports account for the majority of the cars in use there. And even the US-made cars are looking more and more like European or Japanese products.

Gone is the girth and glitter, the obesity and vulgar over-decoration, that characterised the US car of 20 years ago. Most of them are now Ford Granada (Scorpio) sized or smaller. Many are styled so elegantly that they would win approval in such temples of car design as Milan and Turin.

I have not tried any contemporary US cars for a year or two, barring the sensationally good Chevrolet Corvette ZR-1. When last I drove a variety of them, their handling still did not match up to best European or Japanese standards. Steering was over-light and springing too soft.

Has this now changed? From the way they are being driven by Californians, I suspect so. And if I am right and there has been a revolt against the unrealistically low speed limit, then it must be technology-led.

In other words, if you have a car that no longer has to be steered round a bend 50 metres before you reach it, but which answers the helm instantly, you are inclined to exploit its nimbleness.

And if it has the kind of road-holding that allows you to avoid a sudden hazard without risk of losing control, you take advantage of it.

Braking, too, has raised driver confidence levels since the general adoption of discs, the growing use of anti-lock systems, and the universal fitment of steel-belted radial tyres. So, the 55 mph limit, once accepted by a majority of US motorists as reasonable, is now seen as outdated, even perverse, and is being disregarded on a grand scale.

Is there a lesson here for Britain? I think so. For example, the suggestion that the capacity of London's M25 orbital motorway could be raised by marking four traffic lanes on the three-lane sections was conditional on the speed limit being reduced to 50 mph (80 kmh). I am not sure it is a good idea, anyway, but a 50 mph limit would be unenforceable.

Like water, the speed of motorway traffic finds its own level, almost regardless of officialdom. Although the West German *autobahnen* are not restricted generally, very few cars using them go much above 80-85 mph (128-137 kmh) – which is about the going rate on Britain's own motorways, despite their 70 mph (113 kmh) official limit.

The main difference between driving on the Californian freeways and, say, the M25 is that in California you can overtake (or be overtaken) on either side, quite legally. It seemed to me to be helpful in maintaining traffic flow. Is there any reason it should not become lawful in the UK?

S. M.

Bridge

TODAY'S HANDS are certainly unusual. I hope you will find them entertaining. The first one is from teams-of-four at international level. And if you think this is science-fiction, let me assure you it really happened. I was sitting behind the declarer.

N
♠ 9 6 3
♥ K J 5
♦ 9 8
♣ K J 10 8 4

W
♠ 10 7 4
♥ Q 10 8 2
♦ 3 2
♣ Q 9 5 2

E
♠ J 8 2
♥ 9 4 3
♦ K 5 4
♣ A 7 6 3

S
♠ A K Q 5
♥ A 7 6
♦ A Q J 10 7 6

With North-South vulnerable, South dealt and bid two diamonds. North replied with two no-trumps, South re-bid three spades and North said three no-trumps. South now bid four clubs, North bid four diamonds, South bid five hearts (really odd) and North PASSED. So, South was left to play at the five-level in a 3-3 trump suit.

West opened with the club two, dummy's 10 was covered by the ace and declarer ruffed – a dummy reversal was now under way! South cashed his heart ace, finessed dummy's knave (which held) and cashed the king, leaving West with the one remaining trump.

The nine of diamonds was finessed successfully, the eight was overtaken by the queen and the ace was made, felling East's king. West could ruff or discard as he pleased but, whatever he did, the heart queen was the only trick for the defence. So, we all said: "Why not bid up?" The club lead was a godsend – not only did it allow declarer to make a ruff-in-hand but it established dummy's king, not for an extra trick but as protection against any attack in that suit.

The next hand is from rubber bridge:

N
♠ Q 8 6
♥ 10 9 6 4
♣ A 8 7 6 4 2

W
♠ J 10 9 7
♦ Q 8 7 5 3 2
♣ Q

E
♠ 8 6 5 4 3 2
♥ 7 5 3
♦ A K J

S
♠ A K Q
♥ A K J 10 9 4 2
♦ K 10 3

West was dealer at game all. After three passes, South started off with two hearts and North replied three hearts. This single raise promises normal trump support and an ace. South now said three spades, to allow his partner to clear up the ace position. When North bid four clubs, South waited no longer but jumped to seven hearts.

Winning West's knave of spades in hand, declarer drew trumps in three rounds, cashed his two other spade honours and ran the rest of his trumps. But East kept ace, king of diamonds and the club queen. West hung on grimly to his three clubs and South was forced to concede a club trick.

An expert looks for extra chances, no matter how remote. *South should ruff the spade* lead in dummy and ruff a diamond in hand. He ruffs his spade ace on the table and ruffs another diamond in hand. A third spade is ruffed, followed by one more diamond ruff.

East has produced the ace, king and knave of diamonds. Dummy's diamond 10 is a menace against West; and this gives South an extra chance (if the clubs do not break) of squeezing West in the minors. West's last four cards are diamond queen and the knave, *nine and five of clubs. South's* last trump forces him to yield the 13th trick.

E. P. C. Cotter

COLLECTING

Fair's fair for antique dealers

They can't match the saleroom machines but they've found their own answer, says Antony Thorncroft

THERE IS no peace for the wicked — or for the art market. The leading auction houses hardly had time to tot up their quite remarkable sales tallies for the 1988-89 season (Sotheby's up 57 per cent at £1.35b, Christie's 63 per cent higher at just over £1bn) than they were busy organising autumn sales which should ensure that, against all reason, 1989-90 will be another record-breaking year.

But, before contemplating the mouth-watering picture sales the Big Two have sprung out of the hat (most of which will be held in New York, now the major source of their revenue), space must be found for the antique dealers who are fighting back gamely against the auction houses. They cannot match the smooth marketing machines which have ensured that Sotheby's and Christie's get offered most of the major collections for sale, but the dealers have discovered — by means of well-vetted, nicely displayed and relevant antique fairs — a medium in which they can present an attractive united front to the public.

Jacqueline Marval's "Portrait of Charles Verrier" (c.1905), on show at the Crane Kalman gallery in London this autumn

There seem to be too many fairs, but they exist only because dealers take space in them. Undoubtedly, the great breakthrough has been in specialist fairs; and, this month, the 20th Century British Art Fair at the Cumberland Hotel in London was a potent witness to just how good the leading British artists of this century could be, despite the academic brain-washing that decreed Paris and New York were the only important centres for artists. Judging by some of the prices (£160,000 for a Hockney abstract painted when he was still a student at the Royal College), this new appreciation is at last being reflected in prices.

This week-end sees two important fairs in London approaching their climax. The Decorative and Antiques Fair at Olympia is aimed unashamedly at antiques to beautify the home, rather than for drooling-over by connoisseurs, and will doubtless be pored-over by American interior decorators competing for 19th century French ormolu photograph frames, a late-18th century shop sign in the form of a copper kettle, Chinese shawls etc.

In contrast, the Park Lane Hotel Antiques Fair has pretensions towards academic grandeur and, this year, floats a horological theme, reflected in a Daniel Quare table clock of around 1695 and a long-case clock by his contemporary, Johannes Norcott. The Park Lane has been encouraged by the sudden cancellation of the Burlington Fair, planned for November at the Royal College of Art. This grand old name has now merged itself with the Grosvenor House, the Blue Riband among British antique fairs and firmly a part of the London summer season. The merger ends a silly feud and brings to the Great Room at Grosvenor House such revered names from the antique trade as Blairmans.

Dealers like fairs because they are a slightly more jolly way of passing time than sitting in un-visited shop premises; because they provide an opportunity, at a time of rapidly diminishing stock, to pick over the discoveries of fellow dealers; and because they offer the chance to meet new customers. In the words of Brian Morgan, the new president of the British Antique Dealers' Association: "The fact that people have paid to come in means they are not shy of walking onto your stand and asking the price of things. Fairs are less intimidating than antique shops."

The merger of the Grosvenor House and the Burlington has come just in time. Perhaps the most sigificant event of this new antiques season happened last week in New York. The Antique Dealers Fair organised there by Londoners Brian and Anna Houghton was a great success. For the first time, New York has an international, vetted showcase for dealers at a time of year when the salerooms are lying low. The British dealers present — who included Asprey, Richard Green, Bluett and Christopher Clarke — came away very happy, both with business and the contacts made.

Sotheby's and Christie's discovered years ago that New York, and the US generally, are awash with rich people keen to buy antiques. At last the penny has dropped for the British traders who, in future, will spend much more time ploughing fruitful furrows there rather than waiting for the Americans to come to London or the Cotswolds.

In theory, they should be spending much of the autumn in New York for the important auctions of pictures, books and jewels being held by Sotheby's and Christie's; but, in practice, most of the finest items on offer will be way above the credit limits of even the top dealers. What chance has a dealer got, later this month, of acquiring a dreamy Monet hay-stacks, which could reach $10m., or a Van Gogh "Madonna and child" with a top estimate of $15m?

These paintings, along with seven other Monets, two each by Degas and Picasso, a Gauguin and much more come from the collection of Campbell's soup heir John Dorrance, who died in April. It is described by John Marion, of Sotheby's New York, as "certainly the most valuable collection of art ever to come to auction."

Sotheby's elation at getting the collection, with its $100m-plus price tag, was soon trumped by Christie's which came up with 42 works from the collection of Paul Mellon which should raise at least $110m in November. While the 15 Impressionists are being sold in New York on November 14 the 27 British pictures from the Yale Centre of Art (which Mellon founded) will be disposed-of in London two days later. The money will be spent on new acquisitions, with an emphasis on 20th century British art.

Indeed, London is holding its own with New York in the importance of its auctions this autumn. Another American institution, the J. Paul Getty Museum, is also selling now to buy better things later. The 15 paintings on offer were much loved by Getty (many hung in his Surrey home) but they are at odds with the museum's collection — even Gauguin's "Breton boy with goose" which, single-handed, might raise half the £12m anticipated from the group.

Other Sotheby's highlights are an unusual, Dutch-inspired Gainsborough landscape being sold by the British Rail Pension Fund; the autograph manuscript of Schumann's piano concerto in A-minor, which carries a whacking £1m top estimate; a lost bronze by 16th century sculptor Adrien de Vries, bought recently for seven guineas and now valued at up to £1.5m; and two copies of the first Christmas card, designed by J. C. Horsley in 1865.

Christie's highlight is a very early Picasso, "La Maternite," painted in 1901. It is very decorative, contains portents of his future Blue Period and should exceed £10m. Also in the Impressionists' sale on November 27 is an important early abstract, "Leger," which should set a record for the artist of around £4m.

One nice curiosity at Christie's on November 21 (apart from the medals awarded to

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COLLECTING

FROM PREVIOUS PAGE

Chariots of Fire athlete Harold Abrahams) is a VC won by the first Lord Gowrie in the Sudan in 1898 and sold by his descendent, now chairman of Sotheby's Europe, a few years ago. It has re-surfaced with a £50,000 estimate: who knows, it could rejoin the family heirlooms.

But the main feature of the new season might not be another inevitable rush of record prices at auction but the impact that the continuous flood of investment money into antiques is having on the structure of the trade. This is seen at its most dramatic in the takeover talk surrounding the now very profitable Christie's, but it is also being felt among dealers.

To acquire decent works of art these days, dealers must somehow boost their financial resources. This can be achieved by selling out to well-funded companies (as in the case of the Maas Gallery, a leading trader in Victorian art, which is now owned by Harlech Television); or mergers (as when another Victorian dealer, Christopher Wood, got together with the larger Malletts); or by going public (last week, Partridge, a dealer in fine furniture, announced it was seeking a stock market quote).

Another consequence is the trade selling goods on consignment. Some of the finest objects in the windows of Duke Street galleries are only in the temporary possession of the dealer, which will receive a commission if it finds a buyer. As inflation in works of art continues, many of the best dealers will be selling their knowledge rather than what they actually own.

That said, there are the usual run of dealer shows this autumn, ranging from English drawings and water-colours at Spink, until October 20; the latest work of Roland Batchelor – who is 100 years old this year – at the Catto Gallery in Hampstead from October 17; the neglected French artist, Jacqueline Marval, at Crane Kalman; School of London works on paper at Odette Gilbert until November 4; Terry Frost throughout October at Austin Desmond; the annual show of sporting pictures at Ackermanns; Old Masters at Colnaghi from November 8, including a recently discovered Cavallino of St Bartholomew; 19th century art from the St James's Art Group all this month; cheapish Impressionists (under £50,000) at Frost & Reed from November 2; and much, much more.

The Departure of the Argonauts, by the Master of 1487, estimated to fetch between £2.5m and £3.5m at Sotheby's December 6 sale

Rarities which look like bargains

Susan Moore *speculates on the price of Old Masters at upcoming sales*

ONE OF the great paradoxes of the art market is that rarity, instead of serving to multiply prices, as one might expect, has the effect of depressing them. Few collectors are interested in entering a market which offers frustratingly few fine examples.

As a result, there are rarities which begin to look like positive bargains when compared to more fashionable or generously-stocked areas of the market. A case in point is Old Master painting. While the prices for decorative Dutch and Flemish still lifes have soared, as have those for the scholarly flavour-of-the-age, Italian 17th century painting, and the delights of the French and Italian 18th century remain in high demand, works executed before 1600 tend to bear remarkably modest price tags.

The exception, the magnificent Pontormo portrait sold at Christie's in May for $35.2m (£20.7m) appears to have focused interest on the market, and encouraged more owners to sell. Collectors of Old Masters continue to face problems of availability, as well as of attribution and condition, but the forthcoming season in London and Monaco offers a varied group of works. Its quality, importance and state of preservation are rare on today's market.

Two of the brightest stars, literally, are the glowing, late 15th century Florentine panels for sale at Sotheby's in London on December 6. These belong to a series of scenes illustrating the story of Jason and the Argonauts, of which five are known to survive. They were commissioned by the Tornabuoni family to celebrate the marriage of Lorenzo Tornabuoni to Giovanna di Maso degli Albizzi – and the union of the two great Florentine banking houses – in 1486.

Too big and too late for *cassoni* panels, the paintings are thought to have been set into the panelling of the bridal chamber. They are in excellent, even mint condition.

The first, in particularly high, near-metallic colour and extravagant detail, depicts the departure of the Argonauts. We may not know the name of the painter (known as The Master of 1487) but he is as distinct an artistic personality as one is likely to find.

The Departure carries an estimate of £2.5m to £3.5m. Its cousin, *The Argonauts in Colchis*, by Bartolomeo di Giovanni, an engaging but less sophisticated sequence of images, £1.8m to £2.5m – a substantial figure perhaps, but one which would secure only the most indifferent Impressionist. Nothing quite like these panels has been seen on the market since 1967 when the Pucci family reclaimed for £100,000 one of the Botticelli and Bartolomeo di Giovanni panels illustrating Boccaccio's story of Nastagio.

Sir Joseph Robinson, the South African diamond magnate, had acquired the Jason panels around 1895, and liked them so much, along with the bulk of his collection, that he bought them back at his own sale at Christie's in 1923. Nine of his pictures go on offer on December 6. Included is Gainsborough's full length but unfinished Bath-period portrait of a Blue Page, painted in the grand tradition of Van Dyck and comparable to the famous *Blue Boy* in the Huntingdon. It will be interesting to see the market's reaction to the sketchiness and freedom of Gainsborough's brush. Will this impressionistic *tour-de-force* fetch more than the portrait of Mrs Drummond which realised a record £1.65m at auction last year?

The other highlight is a full-scale altarpiece by Murillo of the Vision of St Francis of Paola, which finds the artist at his most Baroque. It is expected to change hands at £1.25m to £1.7m.

Gems from another distinguished private collection, that of the Comtesse de Béhague, come up at Sotheby's in Monaco on December 1. The group is dominated by an impressive and exceptionally large Guardi view of the Giudecca and the Zattere in Venice – the first 18th century representation of the view. It comes with appropriately magnificent expectations – well over the published estimate of £4m to £6m.

Another great rarity is offered at Christie's in London on December 8, a little known pure landscape by Rubens. The panel, *A Forest at Dawn with a Deer Hunt*, offered by the Trustees of the Williams Wynn Settlement, is a subtle and freely painted landscape, albeit somewhat dark. Again, it seems to be the only Rubens landscape likely to come on the market. Christie's expect it to fetch more than the £2.3m paid in 1980 for the glorious *Samson and Delilah* in the National Gallery.

Competition to the auction houses seems to come principally from dealers Harari & Johns. The gallery has put together an impressive selection of 50 paintings, from gold ground to Goya, which go on show from November 16 to December 15.

Two works are discoveries. The first is the last of the 14 known paintings on copper by Claude, recently found in Sweden and thought to have come from the collection of Queen Christina. This jewel of a landscape (28cmx35cm) represents Father Time playing his lyre as Apollo dances with the Seasons. The asking price, £1.2m.

A Van Dyck double portrait of the first Lord Belhaven and his wife is the second coup – the painting was known by a copy in the National Gallery of Scotland. It is on offer at £300,000.

Italian *vedute* and an Annibale Carracci on offer also bear substantial asking prices. More problematic for the private market are the religious works (El Greco's *Christ Blessing* the possible exception).

Few outside Roman Catholic Spain now appear to want to hang on their walls the likes of Luis Morales's powerful – and high quality – *Christ at the Column*. The price, therefore, is a slim £200,000. Sir Joseph Robinson, who also once owned this picture, apparently suffered no qualms.

TRAVEL

James Ferguson

Yes, but can football ever replace Horace?

***Ian Thomson** samples the modern flavour of fish-famous Bari*

BARI, CAPITAL of Apulia, is perhaps the only city in southern Italy where people look as though they are getting on with things. Indeed, Bari is so beetling a hive of activity that it has earned itself the nickname *Milano del Mezzogiorno*/Milan of the South. In 1990 Bari will host part of soccer's World Cup; the football stadium is almost complete.

The bustling locomotion of Bari is partly the result of strong commercial links which the city has always maintained with the eastern Mediterranean. Little, it seems, has changed: Bari was a vital centre for trade under the Roman Empire and was in the 11th century Italy's most important Adriatic port, rivalling even Venice in terms of commerce. "Fish-famous Barium" is what Horace called this city of Levantine connections, and the epithet still holds good. In her noisy trattorias, where business hops until two in the morning, you are likely to eat the finest fish that ever flounced in nets.

Bari is made of two quite distinct cities: the Citta Nuova, broadly laid out to a chessboard plan with wide thoroughfares and straight avenues, resembles the newer sections of any other progressive Italian city. Though this New City contains some wonderful turn-of-the century cafes and Art Nouveau department stores, it is of little interest.

What fascinates is the other city, the Old Town of Bari. Standing a world to itself on a narrow peninsula, it is an oriental kasbah in miniature. Its white-washed homes, nestled in an intricate cat's cradle of streets, owe something to the souks of the Middle East and something, indeed, to the Levant.

But the Citta Vecchia, its houses at night dimly aglow with an obscure exuberance of life, is rife with pick-pockets. When visiting, hang on to your wallet or handbag; if either is snatched, you will not have the remotest chance of catching the thief in the warren of streets. The Saracens, who invaded in 1003, discovered this soon enough when they were lured into dead-ends and attacked from the roof-tops.

But fear not: the Old Town is graced by the wonderful Chiesa di S. Nicola, the first of the great Norman churches in southern Italy. A medley of styles – Byzantine, Lombard, Saracen – so typical of Apulian ecclesiastical design, the facade is of an almost military austerity. It resembles nothing so much as the Norman church of St Stephen in the French city of Caen.

Inside, though, the austerity is badly marred by a nightmare Baroque ceiling of fretted gold, the ornamental tastes of the 17th century clashing with the bare and conventual solemnity of the Norman design. Still, the nesting birds appeared to like it up there – watch out for droppings as you make your way to the apse, where stands a masterpiece of Apulian sculpture: a magnificent episcopal throne.

The little men at the feet – quite overwhelmed, it seems, by the weight of the marble – symbolise, in the traditional medieval iconography, the eternal struggle between the flesh and the spirit before the Last Judgement. There is a terrible agony in their eyes.

Ever since 1007, when a ship berthed at the port of Bari bearing the remains of St Nicholas, Bishop of Myra in Asia Minor, the city has been an important centre of religious worship. The corpse was stolen by no less than 62 Bari sailors and, with pomp and circumstance, buried two years later in the crypt of S. Nicola, where it has remained ever since.

The bones are said to exude a sort of healing oil. The liquid is probably only the product of condensation; crypts are clammy places. Still, Nicholas is no ordinary saint. He is the patron of children, sailors and Orthodox Russia. He is also the original Father Christmas – a title awarded Nicholas after he saved three girls from becoming prostitutes by throwing alms in at their window.

Another legend relates that the saint had resurrected three children who had been cut up by a butcher and stoppered in a bottle of brine. Whatever the myth, parents in Bari give children presents on the saint's day, December 6.

Ask the young Dominican father, Padre Giovanni, to unlock the doors to the church treasury. Untold splendours await you. Not least the crown of King Roger, the Norman of Sicily, whose coronation was here in 1131. Curious, too, are the pieces of rotten food that formed the urn in which St Nicholas's bones were reputedly contained.

The cult of St Nicholas has always united Catholic and Orthodox believers, and the modern chapel in this church, dating from 1966, is the only place in the world where, for the first time in history since the 1054 schism of the two churches, the Orthodox liturgy may be heard within the walls of a Roman Catholic place of worship.

Padre Giovanni, a charming man with a wry sense of humour, will no doubt tell you of the Prince of Wales's visit to this church in 1985, when he was feverishly kissed by a "fish-famous Barium" fishwife; and of the choir from Jesus College, Cambridge, that came here in 1987 to perform Benjamin Britten's Saint Nicholas, a cantata for children. Talking to him outside the church one Sunday afternoon, the surrounding streets were full of families grilling fish in the open; the aroma of fried sole brought on an appetite.

Before lunch, I walked a little distance along the cramped and dusty streets of the Old Town to the Duomo itself: down in the crypt of this medieval Cathedral (begun in 1170 to replace the Byzantine structure demolished by William the Bad in 1156) hangs a much venerated – and much repainted – Byzantine icon of the Madonna.

She is of an unusually dark complexion and the curator will tell you that, since the icon is *indisputably* the work of St Luke, this is unquestionably how the Virgin must have looked. I was there with an elderly German professor who had lectured at Bari University on Nietzsche and Schopenhauer; through his pebble-lensed glasses he looked disbelievingly at the curator, and ambled off with his *Blue Guide*.

I followed him to the curia, across the road from the cathedral. There we were shown an extraordinary 11th century *Exultet* roll on parchment. The script, unfurled all those centuries ago in front of the kneeling faithful, was decorated with Byzantine illuminations.

I ate at Stoppani, one of the more interesting buildings in the Citta Nuova: certainly one of the most famous Art Nouveau cafes in southern Italy. It is all of varnished, curlicued mahogany, with an air about the place of decadent palm court. Stoppani also makes its own – hand-made and very expensive – chocolates.

Returning to the Old Town, hand on wallet, my first stop was a medieval castle built in the 13th century by Frederick II. Overlooking the Bari seafront, where you can watch boys smashing squid against the seaweedy rocks, the massy ramparts and angular keeps of this castle have edges to them sharp as a knife. The whole edifice is a doomy memorial to military might, to a warmongering royalty.

A Saracen archway richly carved with plants and flowers takes you into the medieval heart of the castle – a simple courtyard pretty well bare of ornament, save for four solitary palm-trees.

From the castle, I turned into Piazzetta Sessantadue Marinai, named after the 62 sailors who stole the remains of Nicholas. There, mouldering away in a sunless recess off a filthy alley, stands the remains of a Greek temple. Only eight columns have survived but, with affecting devotion, the local population has turned the temple into an open-air church, the Santa Maria del Popolo, Holy Mary of the People.

Plants and other votive offerings had been placed at a tiny image of the Virgin; the shrine was an altogether perfect example of that curious and uneasy alliance between pagan and Christian which one so often finds in the Italian South. But then for those in the industrial North, southerners are *terroni* – literally "earth people."

Reaching the Molo San Nicola, a busy fishing harbour, I could make out, way along the water front, a rather ugly grey and white building with a towering campanile. This is the Palazzo della Provincia, which houses an unusual art gallery. The exhibits – paintings by Veronese, Poussin and Corot – are arranged in terrible taste: indifferent 20th century abstracts hanging side by side with medieval triptychs of the Virgin.

Bari may well be the Milano del Mezzogiorno, but one would be hard pushed to find so shoddy an arrangement of paintings in a Milanese gallery. Still, you should look out for Giovanni Bellini's masterpiece, *San Pietro Martire*, the martyred saint transfixed through the head with a dagger, and through the heart with a sword, though for all that he seems hardly to bat an eyelid.

My last day in Bari took me to the outskirts of the city in search of *una chiesa rupestra*, a primitive church dug out of the rock-face resembling more a cave than a place of worship.

A professor at Bari's Museo Archeologico had given me directions for Santa Candida: bus numbers scribbled over a piece of paper, together with sketches of fields, of arterial roads. It all looked very complicated.

I got as far as a bar in the middle of a vast and arid wasteland called the Agro di Piccone, cloven by the Piccone itself, a mere runnel of a river with bits of detritus bobbing by on the skin of its sluggish current: an old car tyre, a pink plastic necklace.

On the edge of parched meadowland, I could make out the half-constructed terraces of the 1990 World Cup soccer stadium. It was desolate as hell out there; the wind soughing through the skeleton shapes of denuded trees. Sitting at a bar stool, feeling somewhat out of place amid construction workers from the stadium, I asked directions for Santa Candida: no one had heard of the church.

After a couple of cappuccinoes, though, I struck lucky with an old man: "*Sì, sì. Conosco la chiesa*," he said. "*Venga con me*." I did as I was told, and went with him.

I did not know what I had let myself in for and neither, presumably, did the old man. Though spritely for his age, he found the land quite as hard to negotiate as I did: we clambered over rubbish tips, crossed the Piccone twice, pushed our way through fields of tall cane, patches of thorny briar and bramble.

I helped the old man over a barbed-wire fence. The seat of his trousers snagged on a barb, and there was a sound of ripping fabric. "*Madonna fritta!*" he cursed. "Fried Madonna." This was an expletive I had not heard before in Italy: it sounded terrible.

The land broke out into an olive grove. Not far now, assured the old man. Presently, we came to an opening in a rock face: this was the church of Santa Candida – excavated, the archaeology professor had told me, by "*monaci orientale*," Christian nuns who, in the early 12th century, had fled to southern Italy from the Middle East (or perhaps from St Nicholas's birthplace in Asia Minor), persecuted by Mohammedans.

We shifted some old cardboard boxes from the cavernous entrance. Once inside, the old man lit a match: it sputtered in the damp, but I could dimly make out, in the phosphorescent flash, the remains of a stone altar.

The names of various saints, crudely etched into the tufa walls, emerged from out of the half-light: Sanctus Thomas, Sanctus Iacobus, Sanctus Erasmus and, above a painted icon of the Madonna – Santa Candida.

I felt strangely moved, out there in the middle of a Bari field with an old man, inside this little-known cave-like church with its names of saints carved in Latin. But I began to wonder why the old man had bothered to accompany me all this way. It later emerged that his son was involved in the construction of Bari's new football stadium, and please could I write an article about him for an English newspaper? Come the World Cup, we shall no doubt have to replace Horace's "Fish-famous Barium" with "Football-famous Barium."

■ *Ian Thomson's book, Southern Italy, was published by Collins in its Independent Traveller series earlier this year, price £5.95.*

A Touch of Class

Never mind the poisoners

Michael Thompson-Noel wines and dines in splendid fashion in the north Wales resort of Llandudno

UNLESS I am overlooking something, Llandudno, in North Wales, must be the finest seaside resort in Britain – a town of such spruceness and charm that it stands in marked contrast to the grimy commercial ghastliness of most of its rivals. The new Minister of Tourism should be put on a train and sent there at once under exceedingly strict instructions not to return to London until he has discovered whether Llandudno could serve as a blueprint for the revival of British seaside tourism.

It is orderly. It is neat. It is pleasing to the eye. It knows exactly what it is doing and why it is in business. It treats people like people. It offers good value. It has pretty tree-lined streets and an innocent Victorian pier. It doesn't attract louts (at least not many).

Admittedly it benefits from an unusual geography. It occupies its own peninsula and is flanked by twin limestone headlands, the Great and Little Ormes. It enjoys exceptionally mild and sunny weather, especially in spring and autumn. But instead of squandering its picturesqueness it exercises vigilance so that the seediness and cynicism and dreadful appalling tat that have ruined so many of its rivals are held off with a pikestaff.

Not all people like it. In *The Kingdom By The Sea* (Penguin), Paul Theroux, who was travelling clockwise round the coast of Britain at the time, takes an almighty swipe at Llandudno, describing it as the "sort of place that inspired old-fashioned fears of seaside crime. It made me think of poisoning and suffocating, screams behind varnished doors, creatures scratching at the wainscotting."

Theroux imagined constantly that he was hearing the gasps of adulterers from the dark windows of the stuccoed terraces that serve as guest-houses – naked people saying gloatingly: 'We shouldn't be doing this.'

"In all ways," he writes, "Llandudno was a perfectly preserved Victorian town. It was so splendid-looking that it took me several days to find out that it was in fact very dull." There was more in this vein, such as the toothy comedian conducting a "loovely boom competition" in which the girl with the best bottom was selected as the winner and awarded a bottle of Pomagne.

Travel writing is such a subjective business that quite small things can turn you on or put you off. One of the things that depressed Theroux initially, and no doubt clouded his view, was the first hotel he checked into. The clerk was pock-marked. Theroux had to climb four flights of stairs. His room was small. The wallpaper had rust stains that could have been spatters of blood. He fled.

In contrast, my cheerful reaction to Llandudno was undoubtedly helped by the splendour and comfort of the small but luxurious St Tudno Hotel. Positioned perfectly opposite the pier and beach, the St Tudno was purchased in 1972 by Martin and Janette Bland, who have spent mightily on modernisation and refurbishment (it has 21 bedrooms) and have been rewarded for their pains by a large number of awards.

For example, the St Tudno is the only seaside resort hotel in Britain to have been awarded red stars by the Automobile Association for its accommodation and service; it has an AA rosette for its food (one of only four hotels in Wales to be given a rosette in the 1989 AA guide); in 1987 it won one of the *Good Hotel Guide's* Cesar awards for best seaside resort hotel in Britain and Ireland.

The food is remarkable. You can have a five-course dinner for £17.50, a figure that defies comprehension by anyone accustomed to London prices. The Blands deserve to be millionaires. They are not, as it happens, but I do believe they should be.

After Llandudno I stayed briefly in Beaumaris, on Anglesey, at Ye Olde Bull's Head. I was not overstruck by Anglesey but Ye Olde Bull's Head, in Castle Street, run with panache by Keith Rothwell, David Robertson and their wives, was excellent.

As the Minister of Tourism would discover, it is unlikely that Llandudno's stateliness and charm could be manufactured or duplicated elsewhere, for the town is very much controlled by the Mostyn Estates, which developed Llandudno originally as an up-market watering hole and custom-made resort, and which continue to exercise great power.

The Mostyn Estates still own about 80 per cent of the town, which is why Llandudno's character and appearance are so well preserved. You wouldn't like it in the summer, when the crowds swarm in. But it must be splendid in the autumn, poisoners and adulterers or not.

■ The St Tudno Hotel, Promenade, Llandudno, Gwynedd, LL30 2LP, tel: 0492-74411. Its winter tariff (November 1-March 31) ranges from £33-£55 per person for room and breakfast to £90-£114 per person for a two-night break including dinner.

Ye Olde Bull's Head, Castle Street, Beaumaris, Anglesey, tel: 0248-810329.

Wanted: hotels of character

IT IS a shocking thing, but there are no small hotels of character in Birmingham, Bristol, Cardiff, Cambridge, Leeds, Liverpool or Nottingham, *writes Michael Thompson-Noel*.

That, at any rate, is the view of the 1990 edition of Hilary Rubinstein's Good Hotel Guide, published yesterday, which is even fatter than ever – more than 1,300 hotels, inns, guest houses and bed-and-breakfast's in all parts of Britain and in 19 other European countries, all picked for their individual style, comfort and charm.

"Are there no good hotels in any of these great cities?" asks the guide, adding that it has been asking that question for a dozen years and is still waiting for an answer.

It says there are plenty of relatively indistinguishable hotels to choose from in any industrial centre. "But why do so few British cities boast small hotels of character? Why is it that Bath can have no fewer than eight entries and Bristol none?

It says that one reason is that individually-owned hotels of character appeal more to tourists than to the business trade. "But it is also unhappily the case that the bad – or at least the mediocre – drives out the good.

"Trusthouse Forte has made a huge contribution to raising the standards of hotel catering in Britain, but it is no accident that the guide lists no more than one THF hotel."

Fully mapped and indexed, the Good Hotel Guide, like all Consumers' Association publications, allows no advertising, free hospitality or payment for entries.

The winners of the guide's Cesar Awards, given for different sorts of excellence among British and Irish hotels, are:

Newcomer of the year (city division): The Draycott, London, tel: 01-730-6466.

Newcomer (country house division): The Manor, Chadlington, Oxfordshire, tel: 060876-711.

Newcomer (restaurant-with-rooms division): The Peat Inn, Peat Inn, Fifeshire, tel: 033484-206.

Brilliant restoration of a great hotel to former glory: Hotel Portmeirion, Portmeirion, Gwynedd, tel: 0766-770228.

Outstanding hospitality, Lakeland style: The Old Vicarage, Witherslack, Cumbria, tel: 044852-381.

Outstanding Irish hospitality: Roundwood House, Mountrath, Co Laois, tel: 0502-32120.

Sturdy independence in doing their own thing with verve: Heddon's Gate Hotel, Heddon's Mouth, Devon, tel: 05983-313.

Shangri-La of the Outer Hebrides: Baile-na-Cille, Timsgarry, Lewis, tel: 085175-242.

Most cosseting guest house: Reeds, Poughill, Cornwall, tel: 0288-352841.

Utterly acceptable mild eccentricity: The Evesham Hotel, Evesham, Hereford and Worcester, tel: 0386-765566.

The Good Hotel Guide 1990 is available from bookshops or from the Consumers' Association, PO Box 44, Hertford SG14 1SH, £11.95.

BOOKS

An inside view of a Labour cabinet

Tony Benn has become the best political diarist of our time, says ***Malcolm Rutherford***

AGAINST THE TIDE: DIARIES 1973-1976
by Tony Benn
Hutchinson £20.00, 754 pages

TONY BENN has achieved at least one ambition: he has become the best political diarist of our time. This becomes indisputably clear with the publication of his third volume covering the period 1973-76. The Diaries are revealing, accurate and instructive – far better than anything produced by his once Cabinet colleagues, Barbara Castle and the late Richard Crossman. They are also a pleasure to read.

One could fill this review with the anecdotes, some of them bitchy perhaps, but none of them likely to be denied. For example, I did not know that it was Brian Walden, once a Labour MP, now television interviewer, who claims to have written Hugh Gaitskell's famous speech: "Fight, fight and fight again." The young Walden went to Benn and offered to advise him on how to become leader of the Party.

Interesting to learn, too, that Jack Jones, the trade union leader, was suggesting as early as 1974 that British Leyland should be taken over by General Motors. As Trade and Industry Secretary at the time, Benn was aghast.

Other revelations include a rather sharp exposure of the bullying manner of the then Sir Kenneth Keith when he was chairman of Rolls-Royce. The now Lord Weinstock was rather a pal of Benn's and would tell him how he loathed Anthony Crosland. David Butler, the Oxford psephologist, telephoned Benn shortly before the general election of February 1974 to say that he foresaw a Tory landslide and that he feared the Labour Party could not survive.

Benn recorded all that without any obvious malice. He just wrote it down as it happened. He also notes that Michael Foot, the once Labour rebel, admitted to him in 1976 that he rather regretted not having been a member of the Wilson Government of 1964-70.

There is a quote from the now Lord Lever to the CBI in 1973 when Labour was in opposition: "The trade unions should be disbanded, ideally, and what we need is tax concessions for managers." Lever's main point was: "Got to see that the loot is better distributed."

Not least, there is a prophetic note about Bernard Ingham, whom Benn inherited as press officer when he moved from Industry to the Department of Energy. "Very difficult man," Benn recorded. He complained about him to the head of the Department, Sir Jack Rampton. Ingham's "an energetic chap," Rampton replied. "He has an idea of what a Minister should do and he bullies him until he does it." It was Rampton who later recommended Ingham as Press Secretary to Margaret Thatcher, a post that he has held for the last 10 years.

Some of Benn's comments on his colleagues are blunter. For example, on Denis Healey: "He hates my guts and I must say I reciprocate." Benn writes that Barbara Castle hates his guts as well, but is too gentlemanly to say explicitly that he feels the same way about her. Shirley Williams is described as "without doubt the most reactionary person I know." On Harold Wilson, Benn notes: "What a bloody awful man Wilson is, cheap and nasty," though in earlier volumes he has been complimentary and seems unable to forgive Wilson for not liking him.

He admires some Tories: Enoch Powell at a distance, and John Biffen especially: "I really like that man." Others he found less attractive and less memorable. On a visit to Oxford he records meeting "that awful man (whose name I've forgotten), a Tory who fought Joan Lestor at Slough." That was Nigel Lawson.

On the other hand, Benn did get some of his judgements about people right. He noted on Mrs Thatcher's election to the Tory leadership that she would be a formidable opponent, and stuck to this view even when Tories doubted. He also foresaw as early as 1974 that Reg Prentice, Shirley Williams, Roy Jenkins and a few others would defect from the Labour Party.

The Diaries show him as profoundly anti-European, but not pro-Soviet. "I love America," he writes, "and much prefer it to France or Germany," which may explain why the name Mitterrand is consistently misspelled. When Benn goes the European Commission building in Brussels, he records that it is "built in the shape of a cross, absolutely un-British. I felt as if I was going as a slave to Rome." Yet he was equally opposed to Soviet bureaucracy. He was not at this stage in favour of unilateral disarmament and makes a point that he *had never marched to* Aldermaston.

The larger revelations in the book lie in the disclosures of Cabinet meetings. They are the fullest so far. In particular, the discussions on public expenditure cuts in 1976 are reported almost verbatim. Possibly no more accurate record will ever be forthcoming. They are justifiably generous to the now Lord Callaghan, who as Prime Minister at the time allowed every member of the Cabinet to have a say. It would hard to argue convincingly that publication does anyone any harm.

Benn reveals that for some while he lived under the shadow of Crossman, who was *the first of the diarists to go public. The Crossman Diaries*, he writes, will be the best of the period ever published; "though I hope my own, if they are ever transcribed, will also turn out to be a reasonable record."

In this, he is too modest. The Benn Diaries are better because they are more accurate. He used a tape recorder – sometimes even in the House of Commons chamber, though one would guess that he did not dare to take it into the Cabinet room. Instead he took notes diligently and wrote about events on the day that they happened without embroidery. He may have been naive in *many* ways. His *ignorance* of events and subjects outside his ken is striking, although that was also true of Crossman. He has provided an invaluable account of British politics 1973-76 from the inside, as seen by Tony Benn. Preconceived ideas about Benn the man should deter no-one from reading it.

James Ferguson

Quest for ultimate knowledge

Mary Hope *is confronted with fable, myth and terminal breakdown*

THE MESSAGE TO THE PLANET
by Iris Murdoch
Chatto & Windus £13.95, 563 pages

THE TROUBLE with Oakland, California, Gertrude Stein once said, is that when you get there, there's no there there. The quest for the ultimate thereness or whatness, and what relationship they, or it, have to *morality, and whether it* can be apprehended through the medium of language, art or mathematics is what philosophy is all about. The fear that ultimate knowledge brings death is the basis of most mythological accounts of the quest for truth: pure cognition may bring terminal meltdown.

These are the matters Iris Murdoch confronts in this enormously long, complex, difficult and unwieldy fable. Whether she succeeds in breathing imaginative life into what is, in effect, an account of the great philosophical problems is questionable.

Marcus Vallay is a mysterious Jewish genius, who, having cantered through mathematics, chess and music, has removed himself from the gaze of his friends to tease out the secrets of existence. He is hauled back by Alfred Ludens, his historian disciple, in order to *Lazarise* Patrick, the Irish poet who is sick unto death, apparently believing that he's been cursed by Marcus.

After Patrick's recovery, Vallay is taken to a secluded "nursing home," run by equally mysterious Marzillian, where Ludens nags him to get on with his thinking and, above all, write it down. But Marcus becomes a cult guru figure for gangs of New Age solstice seekers, gives audiences, disperses his energies. He dies, either from some ultimate death-dealing knowledge, or as an atonement for non-involvement in the Holocaust.

Around these central events, other friends act as interested or disinterested commentators, depending on their own self-absorption. Of these, Gildas, the ex-priest, provides the reassuring and rational view, which is probably Murdoch's line: "Empiricism, decent Western empiricism, honest truth-bearing ordinary language, *that's* what we've got to save. There's no cosmic shamanistic nonsense in Shakespeare, no Arthurian mysteries, no Grail just the beauty and the horror of the world, and love, love, love."

Iris Murdoch

The paradox is that Murdoch's mode is to use all the devices of fable and myth to tell her tale. Characters make their way through dense forests to find hidden houses; mechanical obstructions obtrude (cars break down, beds won't be manoeuvred round staircases). And her sense of the numinous is ever-present in the enchantment of her scene-setting.

But the only real *character* is Franca, who endures the unfaithfulness of her husband, Jack, the odiously hypocritical self-deceiver. Franca stifles her anger and pain at an imposed menage à trois and suffers agonising pangs of good old psychological realism.

The very fact that the passages which deal with Franca, and with Ludens's comic and complicated relationships with various women, tower with fictional assurance and truth over the important but indigestible philosophical discussions between cardboard cutouts is, in effect an integral answer to one of the big questions.

This is a very long and very difficult book and it must be stated that it is not an unqualified success. The *ultimate* questions do not lend themselves, one fears, to such treatment, but the impulse to find the answer is universal: as a small niece of mine once said to her mother, furiously, "You, *you* – you don't even know the how of why."

Woman into martyr

INDIRA GANDHI: A personal and political biography
by Inder Malhotra
Hodder & Stoughton £20.00, 363 pages

INDIRA GANDHI, prime minister and political giant of India from the mid-1960s until her assassination by her Sikh bodyguards in late 1984, is one of the most fascinating figures of modern history. She was a brilliant political in-fighter with a nearly unerring instinct for an opponent's jugular. Unfortunately, this was accompanied by an autocratic and sometime neurotic temperament that regarded almost anyone who gained political stature as a potential opponent. Anyone, that is, apart from her own sons, and thereby hangs another tragic tale.

Inder Malhotra has tried to be fair. This is not one of the fawning biographies written by one of Indira Gandhi's *chamchas* (the word literally means "spoons," but loosely translated "sycophants"). For 30 years as a senior journalist Malhotra had excellent access to the leading players in the pernicious in-fighting that passes as Indian politics. He is able to record verbatim the vicious tittle-tattle and blow-by-blow actions from the time when the supposed "Goongi Gudiya" (Dumb Doll) was chosen as prime minister to her murder. He is perhaps too kind to Gandhi over her declaration of Emergency in 1975, but makes up for it with his harsh comments on her second spell in office when he almost suggests that Gandhi deified herself into the personification of India.

Yet it is a disappointing account. Like an Indian newspaper it is highly political, going into great detail about what goes on in the gilded Delhi salons, but skating superficially over all other issues in the great subcontinent. It is a great pity that journalists and politicians spend so much time paying court to each other and do not venture into the heat and dust of the India of half a million villages. There, said Mohandas Karamchand Gandhi, lies the soul of India. The complete account of Gandhi and her life and times, successes and failures, remains to be written.

Kevin Rafferty

Follow the preacher

THE DIVINE SUPERMARKET: TRAVELS IN SEARCH OF THE SOUL OF AMERICA
by Malise Ruthven
Chatto & Windus £14.95, 317 pages

IT WAS in 1987 that I first heard that Malise Ruthven had bought a battered recreational vehicle and set off across the US *in search of religion. For a while*, I kept half-expecting to see him, ensconced among blinking retirees in the parking lot of a Nevada casino or seated, tense and disputatious and alert, among the weeds and junk metal on an Appalachian porch. I never did see him, but this is the book of his passage through the US and it more than makes up for missing him.

Yet it is partly because religion is an inherently good theme for a travel book, as 19th-century writers such as Burton and Doughty well knew. American religion is more varied than American food, drink or architecture and more quintessentially American than any of these. It is an obvious point to make, but Ruthven makes it well: in America "the awful sameness of cities, the identical hamburger parlours and Lollipoplands, the rectangular downtown blocks and the limitless replication of suburban townships – all these are mitigated by the diversity of social landscapes."

Ruthven is also just the man for the job. Intense, indiscreetly over-educated, unsure of his agnosticism, Ruthven is yet rather brave. It takes courage of a sort to sit through a rattlesnake church service in the hills of south-western Virginia, or to dispute with the pastor of the Church of Jesus Christ Christian-Aryan Nations at Hayden Lake in northern Idaho. Ruthven is pig-headed, like Doughty in Arabia, and given to Doughty-like outbursts. He loses his temper with a fundamentalist in an Arizona laundromat in a scene reminiscent of Doughty in the coffee-house at Ha'il (or Hail).

The hints of Doughty and Burton may not be accidental. Before setting off on his journey, Ruthven worked for years on a book on Islam. He has a feeling for the way new religious impulse can spread like wildfire in an empty country, whether in 7th century Arabia or in 19th century New York State. Knowing the complex family politics behind such a great schism as the Sunni/Shia split in Islam, Ruthven makes illuminating work of the break between the Utah and Reorganised branches of Mormonism.

These chapters on Mormonism, the most American of American religions, are the best in the book and inspire Ruthven's best writing about landscape. But he links the Mormons backwards in time and space to the sectaries of New England, and forward to narcissistic New Age *California* and the televangelists. Finally, he argues that the peculiar American conditions that have favoured religious variety – space, protestantism and the First Amendment – have also protected US democracy from great religious damage.

For people who habitually read travel books, Ruthven will be a revelation. He is not snooty and philistine like many English travel writers, or given to chippy melancholy like West German. He has none of the puerile and patronising enthusiasm for American popular culture that you find in, say, Baudrillard. Ruthven takes seriously the people he meets and listens to what they say. This is rare.

James Buchan

Daydreams personified

THE WOMAN WHO TALKED TO HERSELF
by A L Barker
Hutchinson £11.95, 186 pages

THE DISINFORMER
by Peter Ustinov
Michael O'Mara Books £9.95, 133 pages

MASTERSTROKE
by Douglas Payne
Michael Joseph £12.95, 313 pages

POLAR STAR
by Martin Cruz Smith
Collins Harvill £12.95, 373 pages

A.L. BARKER calls *The Woman Who Talked to Herself* an "articulated novel." It's a *series of vignettes* attached together like the bones of a skeleton, an appropriate image for a book about a woman who turns parts of herself into stories. Winnie Appleby, a professional storyteller, creates sad, lonely, scarred characters who experience a moment of enlightenment, often a sexual awakening: a "steady, placable" man becomes a religious fanatic and drags his childless wife on a quest for the second nativity, a single mother discovers that her shy lover is really after her son; a middle-aged artist's self-contained life is disturbed by a teenage boy who both repels and excites her.

The stories read like daydreams from which we awaken to the often painful and abrupt denouement. They are Winnie's *fantasies*, her way of controlling and transforming the disappointments and anxieties in her own life: her husband's infidelity, her son's efforts to break free of his parents, her daughter's infatuation with another mother. This is why she distrusts the written word, for like her family it can change, can be treacherous.

These extraordinary stories, grotesque, compassionate, unpredictable, are deftly written. Barker *has* written a highly original work which is as much about the creation of fiction, its roots in the author's fears and desires, its accretion of detail, as it is about the failure of dream to match reality.

In Peter Ustinov's *The Disinformer*, daydreams have a dangerous, subversive power. The first of these two novellas is about a retired British spy, bored and resentful of the material success of his younger colleagues, who plays an elaborate trick on the police. But his anarchic desire for revenge makes him the target of terrorists and destroys his quiet life.

In *A Nose By Any Other Name*, a young woman abandons her cultured if somewhat eccentric immigrant parents for a "normal" life. She has her pendulous nose reduced to a button, marries an old-fashioned all-American boy, has a baby and moves to California. But her baby's nose reveals all that she and her husband have tried to hide from each about their families. The moral of these rather slickly written fables seems obvious: our roots can never be destroyed but neither can we live securely in the past. Recently Ustinov read one of the novellas on the radio; perhaps they are meant for performance for they seem a bit thin on the page.

Masterstroke, Douglas Payne's first novel, is a mystery set in the international art market. Paul Reynolds, a small time art-dealer, realises that an unsigned, unattributed oil-painting selling for a pittance at a preview is really the work of a distinguished British artist. The discovery brings him wealth and fame and then nearly destroys him in an elaborate plot involving forgery, a lost mother, forgotten love journals and a suicide.

This potentially interesting story contrasts the dirty politics and materialism of the art world with the idealism of the artist. Payne handles a complicated structure well and keeps up the suspense in crucial scenes. But apart from Paul, the characters remain stock figures and the writing is at best just adequate.

Polar Star, a sequel to Martin Cruz Smith's *Gorky Park*, is a mystery-thriller set on a Russian fish processing ship in the Bering Sea. Seaman Renko, once a senior investigator in the Moscow prosecutions office, has been stripped of his rank and party card and now works below the decks cleaning fish on the "slime line." But when a young woman's body is pulled up in the net, the captain asks him to resume the role of investigator. He survives several attempts on his life – a comrade hears him laughing in the deep freeze and an ice pick misses his heart – as he discovers not only the girl's killer, but a drug ring involving an American trawler and professional criminals.

Cruz Smith writes in a competent, if flat, journalistic style. He's evidently done his research, for his descriptions of fish-processing, the drawing up of the nets, the fog-bound ships are captivating, but the book goes on for too long and becomes lost in a forest of details. Though some of the secondary characters, the brutal trawl-master, the gentle botanist who has been relegated to the slime line, are memorable, most never emerge from their brittle identities. With the tension dissipated in the second half, we wonder what the point of the novel is, for unlike the frozen Bering sea, there's not much stirring under the surface.

Wendy Brandmark

Fallen missionaries

THE CONTROVERSIAL COLENSOS
by A.L. Rowse
Dyllansow Truran (Trewolsta, Redruth) £9.95, 153 pages

A.L. ROWSE'S first book was *Tudor Cornwall*, a brilliant piece of social history far in advance of its time. Now after many other books and much learned pugnacity, he returns to Cornwall with an essay on two of its odder denizens, Bishop Colenso and his cousin William. Certainly there are the materials for parallel lives here.

Apart from their kinship, both of them were missionaries, who fell into dispute with their ecclesiastical superiors and defended the native peoples with whom they came into contact. Bishop Colenso was a learned biblical scholar; William preferred botany. It was the Pentateuch which brought accusations of heresy upon the bishop; William fell into disgrace through his encounter with a beautiful Maori girl.

The case of Bishop Colenso was a Victorian *cause célèbre*. The attack on him after publication of his vast work on the Mosaic books of the Bible was followed by deprivation of his Natal see and, finally, his restoration by the Privy Council – a decision which caused pious churchmen much grief as an example of lay interference. Later he was to preach a sermon in defence of Cetewayo and his Zulus just after the battle of Isandhlwana.

He was a good, upright, tactlessly truthful man, courageous in his work and his scholarship. It was hardly surprising that his the tenancy of the see should have been so disturbed. Even today Africa presents problems for ecclesiastical authority, as a recent decision of the Vatican forbidding leopard-skin vestment in Zaire shows.

William Colenso is less well-known. Despite his botany and his FRS, he does not appear in the *Dictionary of National Biography*. His life is recorded in the autobiographical sketch he wrote for his half-Maori son. He seems in many ways to have been the ideal pioneer, tramping over mountains and across rivers in New Zealand's North Island, learning the customs and language of the Maoris. As a missionary he was less suitable. His marriage had been more or less arranged by his ecclesiastical superior, and it was natural that he should have sought consolation elsewhere.

Even before disaster struck he had not got on well with the energetic and autocratic Bishop Selwyn. After his fall from grace he continued his life in New Zealand as a considerable figure among the settlers and a representative in the colony's General Assembly.

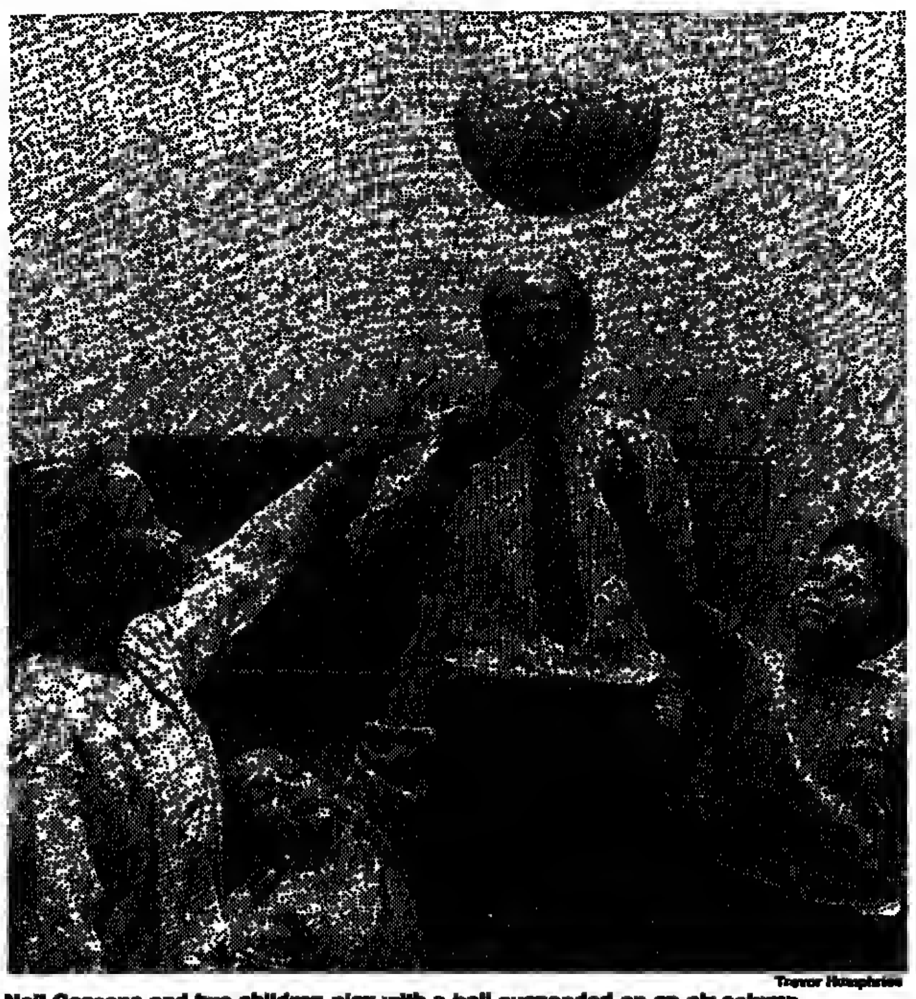
He went on defending the Maoris including a chief who was said to have eaten the eye of a missionary. In his old age he even went back to missionary work himself.

Dr Rowse tells the story of the two Colensos with something of the gusto and malice of a 17th century antiquary. His theme provides plenty of opportunity for girding at organised religion, but he hardly needs an occasion.

Reassuringly he remains capable of extracting controversy from anything. This is a lively, eccentric book. One hopes that Dr Rowse will write more notices of Cornish worthies – or unworthies, for that matter.

Anthony Hartley

British culture's forgotten half



Neil Cossons and two children play with a ball suspended on an air column

Trevor Humphries

WHEN ASKED for the boiling point of water Lady Antonia Fraser, one of our leading literary ladies, said: "I haven't the foggiest." But then more than half the population of Britain hasn't the foggiest either, according to a Observer/Harris poll last month.

More than 45 per cent of another pollster's sample could not say whether electrons are bigger or smaller than atoms. Only 14 per cent could describe what it means to study something scientifically.

Results like these suggest that C.P Snow's two cultures continue to live in cheerful ignorance of each other. The depth of that ignorance, however, is beginning to alarm many leading scientists. While accepting part of the for what has happened, they are afraid that Britain's capacity for intelligent policymaking is at risk and that its technology and industry could be left trailing pathetically by the end of this century.

Neil Cossons, the energetic director of the Science Museum in London, is one of a small group of people struggling to restore science to the centre of public attention and national culture – to the place it occupied, in other words, during the Industrial Revolution.

"The visual and performing arts are in an exuberant state of creativity and people see life as having the opportunity to be part of that," he said this week. "Look at the acres of high-grade journalism that the arts create and promote. Of course the media are inhabited by people of an arts background: they are all part of the same club and talk the same language – much of it, incidentally, quite obscure to the average person.

"Yet there is extraordinary creativity in the fields of science and technology. Most people seem unaware of it, or are frightened by it."

Popular ignorance of scientific principles meant a low level of debate, inside as well as outside Parliament, on important questions of policy – on genetic engineering, for example, or nuclear safety, the greenhouse effect and other environmental controversies. Cossons claims that Britain is the only country to have produced anti-science pressure groups, people who regard scientists as the propagators of all ills. "But there is only one way out of those ills, and that is through science. We cannot go back into some medieval fastness."

Cossons does not blame the teachers or any particular government for our scientific illiteracy. But to redress it he says will require a radical re-think of technical education, of which the national curriculum is a welcome first step.

The illiteracy is partly due to the fact that the language and concepts of science have become virtually incomprehensible to the layman in the past 30 years (some people would say since Newton's day). Cossons thinks that illiteracy can even be dangerous: when, for instance, it encourages the spread of crackpot religious sects or a superstitious faith in astrology.

The nature of their work has estranged scientists from thepublic, but they can be criticised for failing to explain and promote what it is they do, Cossons said. Too few scientists were called upon by television, and broadcasters seemed to prefer the ones with a look of the mad inventor about them: Magnus Pyke, say, or Heinz Wolff or Patrick Moore. "This is a serious issue. The language people use, what they are and what they look like is important."

Christian Tyler meets a man who is trying to restore science to the centre of public attention

Cossons himself looks like a rugby coach. Indeed, he says he is not really a scientist at all. He took general science at 'O' level, then geography, history and art at 'A' level. He did his degree in geography and his post-graduate work in railway economics. It was *The Wonder Book of Engineering*, with its pictures of turbines, dams and bridges that turned him into an historian of the Industrial Revolution, an industrial archaeologist, museum curator and now missionary for the pnblic understanding of science. A weekly commuter, he lives with his family at Ironbridge in Shropshire where he was formerly museum director, refusing to give up the view from his window of Thomas Telford's legacy.

Cossons talks of "a great national initiative" to recreate a positive public valuation of science (he uses the word to include, technology, engineering and industry) but is not entirely sure what that initiative will look like.

He says the Science Museum, where a minor revolution in display techniques is in progress, could become part of a national network of places where people will not only absorb history and gather information but be kept abreast of modern theory. The museum's computer gallery, for example, was opened in 1975 and already looks "palaeolithic." Cossons thinks factories and laboratories should let the public in to look round, an idea being promoted by the English Tourist Board. "There is nothing fanciful about the workplace as a tourist attraction", he said.

Moral support from the government would be part of the formula: the chief scientific adviser to the Cabinet came over for a talk recently. But the main thrust had to come from scientists themselves.

Some of the organisational steps have already been taken. An assistant director of the Science Museum, John Durant, has become Visiting Professor of the Public Understanding of Science at Imperial College, London, and a committee with a similar title linking the British Association, the Royal Society and the Royal Institution is now in its fourth year. The association has published a "charter for action".

Committees and charters are quickly created. Public knowledge, enthusiasm and esteem will take much longer. The engineering profession, for example, has been complaining for years about low pay, poor recruitment and public depreciation with not too much to show for it. Neil Cossons thinks he and his allies can do better. Given the pace at which the Science Museum's 50-year-old director is still travelling, it is difficult not to be believe him.

Make the most of machines

Arthur Hellyer advises on the best lawnmowers, tractors, trimmers, blowers and general gadgets to make the gardener's life less laboured

THERE IS scarcely a task in the garden for which someone has not devised an ingenious machine, though I feel sometimes that ingenuity has overrun itself and that it can be simpler to follow traditional methods. More often, however, the proper response is to consider with care what is on offer and to choose what is best suited to one's own garden and needs.

The greatest proliferation of garden machinery is in the area of grass cutting, and here it is particularly important to obtain a machine which is easy to handle in the space available and which will produce the finish you like.

It is still true that for the very finest of lawn cuts, giving the kind of surface required for bowling and putting greens, there is nothing to beat a multi-bladed cylinder lawnmower. However, these absorb quite a lot of energy and are unsuitable for cutting coarse, rough grass. For this purpose there are two options: cylinder mowers with a small number of blades which will not clog easily but may leave a slightly ribbed surface; or rotary mowers, which differ greatly in the length of grass they can cut and the cleanness of the finish they give. It is always best to get a demonstration in one's own garden but if this is not possible it is wise to see the machines in operation somewhere else before making a final decision.

Now that patent rights have expired on the "hover" type of rotary grass cutter the confusing disputes about the rival merits of these and wheel-borne machines have also ceased. Many manufacturers now produce both types. It is generally recognised that wheeled machines are safe and easy to move from one place to another, and that air-cushion (hover) machines score in manoeuvrebility once they are off the ground and, because they can be swung from side to side, are particularly useful for cutting steep banks. Two weaknesses of these machines are that it is unsafe to leave them running but not held, since they can move of their own accord down any slope, and that when not running they must be carried, unless a wheeled carrier is available.

With the smaller machines there is often a choice between electric and petrol-engined power units but as size increases petrol (or at the top of the scale, diesel) takes over. Electricity has the merits of simplicity and reliability but carries the drawback of a cable which must be plugged in to a main supply. This limits the places in which the machines can work and also one must learn how to handle the cable while keeping it clear of the revolving blades.

Petrol-engined machines can be used anywhere and the larger models are usually power propelled, which means labour is confined to guiding them. This is a bonus that is difficult to over-estimate for any lawn larger than about 500 square yards. It always astonishes me just how much energy it takes to push a lawnmower even when the blades are power driven.

When really large areas of grass (say over 1,000 square yards) have to be cut I like to be carried by the machine and that means a trailing seat, a ride-on mower, or a garden tractor. The precise difference between ride-ons and tractors is not defined; however, I regard the former as machines that incorporate a seat but which are only designed to cut grass, whereas the latter can tackle other work including towing a truck which, in a large garden, can be useful.

There seems to be a tendency at the moment to increase the size of the ride-on market both by upgrading some machines that started as walk-behinds and simplifying others that were originally designed as tractors. I see nothing against this provided the engines are sufficiently powerful and the frames and transmissions sufficiently sturdy to take the load of a well-grown operator as well as propelling the machines and driving the cutting equipment. Manufacturers are apt to state the power of their engines in terms of horse power without much explanation of what this means. The best way to ensure that one is buying enough power for the work in prospect is to try the machine under one's own conditions.

One of the objections to petrol engines for any garden machinery used to be the difficulty of starting them. Electronic ignition and battery starting, now available even on some quite small lawnmowers, have eliminated these terrors. It is no longer necessary to pull awkwardly-placed ropes or jump on equally awkward kick starters to get a petrol engine going if you can afford the small extra cost of self starters. Large machines will probably have an alternator to re-charge the battery while the machine is being used; smaller machines often have a charger which can be plugged into a mains socket for a few hours when the machine is not being used.

Manoeuvrebility can be critical with ride-on grass cutters and garden tractors. Many seem to have been designed mainly for large, uncomplicated areas of grass and there can be difficulties in getting around trees and complex patterns of beds. But there honourable exceptions and just a few machines that are capable of swinging around in a tight circle. Several of these are steered by a single pivoting rear wheel, and I have even seen a machine with driving wheels which can be rotated in a complete circle.

Many makers use a conventional gearbox offering four ratios plus reverse. Some employ infinitely variable drive based on belts and pulleys and some use hydrostatic transmission, which combines the function of clutch and infinitely variable gear ratios.

One must also consider whether the machine will be required to pick up cut grass in one operation, or whether it will be satisfactory to let the cuttings fly and maybe rake or sweep them up later. Small cylinder mowers usually throw the grass into a removable box. Leaving cut grass to dry saves time and the clippings act as a mulch – very beneficial in hot weather.

Rotary mowers are designed to eject the cut grass either at the rear or the side, but in my view rear discharge is by far the better method. It not only means that a grass catcher can be attached at the rear – where it causes far less of an obstruction than if it was at the side – but also that the grass tends to be scattered widely, whereas side discharge tends to leave the cut grass lying in swathes which are unsightly and can damage the live grass beneath.

With the big ride-on rotaries and tractors side ejection almost always means that, if the cuttings are to be picked up while working, they must be blown up a chute into a bag or box at the rear. This works when the clippings are dry and short, but chutes are soon blocked by damp or long grass. Rear discharge can either throw the cut grass straight into a box or sweep it up by means of a close-coupled or trailed sweeper. It remains a mystery to me why any manufacturer continues to favour side discharge.

Brush cutters and nylon trimmers are finding an ever-widening market and many machines are designed to perform both functions. Some, after slight adjustment to the angle of the cutting head, can also be used as lawn edge trimmers. Again one has the option of petrol or electric models, with similar advantages and drawbacks to those described for lawnmowers.

I use a small, petrol engined machine with several swiftly changeable heads, one with nylon cord for grass and light weed cutting, another of metal for heavier grass, weeds and young brambles, and a saw head which will slice through small saplings but which needs to be used with great care. Manufacturers clearly have such dangers in mind and some are developing increasingly ingenious guards for the rapidly revolving blades. There is also an increase in the number of purpose-built lawn edge trimmers, the best of which give a cleaner cut than is possible with nylon cord but do not seem to be so adaptable for rough conditions.

At this time of year there is always a lot of fallen leaves to be left or gathered up, according to one's disposition. There are plenty of machines available to lighten this task; rotating brushes to be dragged behind garden tractors, vacuum cleaners to suck up debris into sacks, or blowers to blow it into any place one desires. There are even machines which can double as vacuum cleaners and blowers.

There is also a great deal of equipment available to rake lawns, to slit the turf and drag out dead grass and other debris which accumulates until it keeps out both water and air; and to spike or puncture the turf to allow top dressings of grit or peat or a combination of the two to be brushed in and so overcome the compaction that can occur after a long summer of hard wear.

Yet again I advise you to have such machinery demonstrated before it is purchased. Not all that is on offer is capable of dealing with really hard turf, and in the south and east of the UK the turf is very hard this autumn. It is easy to waste time and money on ineffectual machines, but the best will do a good job and save a great deal of time.

Woody refuse, including tree and shrub prunings, can present more problems than it used to because of growing objections to bonfires. The solution is to shred it and to use the shreddings as a mulch on flower beds and around trees and shrubs to reduce loss of soil water by evaporation, to smother small weeds, and to maintain a loose surface which is easy to hoe, rake or scarify. Shredders are now available in all sizes, powered by electric motors or petrol engines. It is essential to buy a machine which will deal with the material you have and reduce it to the kind of shreddings you require.

Country View
Shooting – and other absurdities

LOOKED AT closely, all sport is faintly absurd. The shooting of driven pheasants, tame ones reared for the purpose, is no exception. Yet, never before has pheasant shooting been so popular, so widely practised and so expensive.

Sir John is far from typical. Although eccentric, vague and generous, he is nevertheless part of the shooting scene, and he is fun. On his 6,000 acres, Sir John's word and whim are law. Once, before I knew him well, I saw him stride into the centre of a group of beaters, proffer his seignorial hand to a beaming yokel and say: "How are you? Splendid to see you again." When out of earshot I asked Sir John who the man was. "I've no idea," came the short answer. Over lunch, a four course affair with wine and port, the conversation drifted on to a certain Minister of the Crown, newly sworn. Sir John volunteered: "Yes, I sat next to him at school for three years." "Oh really, do tell us what he was like." "Never spoke to him." The other guests seemed not one whit surprised by Sir John's reply.

One of Sir John's gamekeepers holds me in particularly low regard. It all stems from the day that the man standing next to me shot a moorhen. Shooting into the sun, it was an understandable error. The victim of mistaken identity lay on its back, wings outspread, ungainly green legs sticking up in the air and orange beak reproachfully open. One did not have to be an ornithologist to recognise it as a moorhen. At the end of the pheasant drive, with tactful intent, I called across to my dogless neighbour, "Shall I send my dog to pick up your woodcock?" "That, sir, is a moorhen, not a woodcock," said the keeper in vinegar tones.

This particular keeper has a disconcerting habit of standing behind the guns and shouting "over" every time a pheasant comes within saluting distance. In that single word one can detect the true meaning, which is: "Wake up, yon incompetent shower."

Only once did he vary the dialogue. On my left was a particularly dull peer who, as sometimes happens, had found himself a particularly diverting wife. The preliminary manoeuvring of the beaters was endless. It was a glorious November day and the young peeress made the best of it. She lay down on the grass at full length, hands cushioning her head. She wore a suede mini skirt. Even at the regulation interval of five yards between guns, it was a little distracting. Vinegar Joe had spotted my interest. When the first pheasant sailed over he shouted very loudly: "And there's another bird on the right, sir."

Those myriads of fluttering pheasants. Only that morning the keeper was whistling them up and feeding them with pellets at over £200 per ton. Now it's pandemonium, and all around the crack of guns and the *thump* of corpses hitting the ground. But not all are corpses. Some of them get up again and run. Expressions such as "strong runner," "winged," "hard hit," "leg down," and "pricked" are rife and speak for themselves. It's numbers that count. "How many did we get?" is the question that everyone will ask. "Three hundred and seventy five before lunch. After the keepers have been round tomorrow we should top the 500 mark quite easily." Tomorrow is a long time for a wounded pheasant to wait for Vinegar Joe with his dog and stick.

As the mature sportsmen heave themselves in and out of their Land Rovers, and the yuppies show off their four-wheel drive Japanese and German equivalents, they mutter about fresh air and exercise. The prosperous farmers do it in much the same style, but are usually less bothered about etiquette and allow themselves unsophisticated excitement over the shooting of hares.

The *"toffs"* reserve the adrenalin for the much-prized woodcock. I listened to a retired admiral on the subject of dangerous shoots. "If a fellow shoots anywhere in my direction, I return the fire. Soon stops 'em." Personally, I find that lying flat or taking cover behind a tree is more easily explained afterwards.

At the grander shoots, but rarely at farmers' shoots, women accompany the menfolk. On the whole, they exert a civilising influence. I say "on the whole" because there are alarming instances of the very reverse. A worried head keeper came up to my hostess at the end of a drive and reported in shocked alarms: "One of the beaters, Charlie White, has been shot in the leg, m'lady." "He must have been out of line," observed her ladyship, tersely.

In quantity and degree, the suffering at any shoot, however skilled the guns, is immeasurably greater than in the hunting field. Very often birds and animals will be killed by the hundred and wounded by the dozen during one day's shooting, while it is exceptional for two foxes to be killed in a day's hunting, and wounding cannot happen. Yet the uninformed public fondly imagine that "bang" means instant death, and so reserve their big guns for the hunting folk.

In newspapers and magazines it is not uncommon to see pictures of gun dogs carrying wounded birds in their mouths with jolly captions such as "Rover brings home the dinner." A photograph of a hound carrying a dead fox would cause an outcry. It seems that condemnation is as selectively applied to violence against animals as it is to violence against humans.

All the same, if I had to make the choice, I would prefer to be a hand-reared pheasant rather than a battery chicken. It's not a bad life between shooting days – and there's always a chance of survival. It's more than the poor battery bird could hope for.

Michael Stourton

Enriching the choice of autumn plants

Robin Lane Fox picks plants to brighten the season

ARTFUL gardening shows up from mid-autumn onwards. In the old days, it was a matter of michaelmas daisies or rose-red sedum, dahlias (if you liked them), and chrysanthemums which, somehow, looked best on the edge of the vegetables where you could pick them.

I do not envy pre-war gardeners their Septembers and Octobers: nowadays we have the opportunities. They have been multiplied by inter-breeding, sharp-eyed plantsmanship, and a wider awareness for what is hardy – nobody now worries that a white-flowered agapanthus will not survive sharp frosts. We are broadening the frontier, and each year I pick up new ways to escape from yellow daisies.

This year, I owe a particular debt to a lady reader. Back in April, having felled a magnolia, I was wondering what to plant on a warm south wall in its place. She suggested clematis Bill Mackenzie. I would never have had such a thought. This newish, yellow-flowered clematis is a variety that seems to breathe cool shade – for an easterly aspect, perhaps, where its feathery leaves would not be scorched. Here was a good gardener reporting that it flowered superbly from July to October, facing due south. I suppose she knows, I told myself, and obtained a Bill Mackenzie in exchange for time-share of my ticket to Chelsea Flower Show.

It was a modest little plant, but perhaps it liked being swapped on the black market. In the warmest of all summers, it has had three soakings only from the watering can but has grown furiously. It started to bloom in July and still has more than 40 of its hanging yellow flowers, the four thick petals of which surround a dark centre.

Here, then, is a discovery: Bill Mackenzie flourishes on a hot wall where it is particularly useful. It will grow happily up something else – a rose or anything that flowers earlier and would otherwise leave you with a tangle of leaves.

This new clematis was popularised, I believe, by that great amateur plant-finder, Valerie Scott, who realised its merits. The plant lists now describe it as "widely available," but one of the clematis specialists, Fisks, does not catalogue it. Instead, Fisks sells its two parents, the orange-peel Orientalis and the less chunky Tangutica. They are good plants, but not nearly so reliable. In April, I happened to have planted a new Tangutica from Hilliers up a drainpipe facing east. While it has grown admirably, it has not produced a single bud.

All these yellow clematises are extremely easy plants that grow for anyone, even in a big town. They last until November and, after flowering, they run to fluffy silver-grey seedheads.

Down in the flower beds underneath, it has been a marvellous year for the arching lespedeza, a semi-shrub of the pea family, which also has style. Until July, you cannot imagine its cluster of dead twigs will come to anything; then, it throws up arching stems with silky, green leaves. These bend like a bunch of wands about 3ft high and carry rose-purple flowers, like tiny sweet peas, until late October. Bressingham Nurseries of Diss, Norfolk, is selling the plant, including the unusual white form, so it will have its chance to be popular.

As it is such a late grower, you can hide it among the aquilegias or early-flowering lupins and leave it to spread when these early plants have faded. It is not a tidy plant, but it flutters charmingly in the wind. Once, I saw it planted at intervals down a border beside a long cottage path. In mid-autumn it quivered in the breeze, leading the eye down the length of the garden. It dies down to the ground in winter but survived the early 1980s in many gardens and I would risk it.

I would also risk the members of the phygelius family, although the colours are no match for a rose-purple flowered pea. This plant has long been known as the Cape figwort, but new varieties have been springing up all over the place. It is one of my top tips for the 1990s. I have always found that this semi-shrub is hardy so long as it is grown where it can run under a path or into a sunny wall. Ideally, it seeds itself into cracks in stonework or gravel, where it puts down deep roots and survives piecemeal in a heavy frost. It has quite changed my autumn gardening.

The usual scarlet variety is pretty enough, but there are pinks, a cream-yellow – which I find rather dull – and some spectacular brick-reds and scarlets with yellow throats. Plants are all about 3ft high and fit nicely below a small wall or beside steps. Hilliers of Hampshire has a particular range, as the plant seems to like the line and warmth of this county. I strongly recommend Devil's Tears, which has flowered freely in its first season on a dry bank. Indian Chief is now thought to be the same as African Queen and is another form worth the money: taller and yellow-centred inside.

These named forms are now thought to be hybrids, classified as phygelius rectus. Like the Bill Mackenzie clematis, they have risen naturally as crosses in gardens, part of the haphazard progress to which we are all heirs. When they flower, they send up long stems of curved flowers, like a capsicum pepper. I have heard them compared with hunting horns; but they are foreign hunting horns, fit only for a Wagnerian hero.

Not that newest is always best. The loveliest flower this week is on the bushes of the brilliant blue hardy plumbago, or ceratostigma. This arrived years ago from China and ought now to be everywhere. This easy shrub is a beautiful match for the colours of the plants I have mentioned. About 2ft high, it will grow for anyone although it looks dead in winter. It it had just arrived this year, we would all be calling it a miracle. It still is, and custom has not detracted from its charm.

FOOD & WINE

Mark Dence, manager of the Oddbins store at London Bridge, advises a customer — Lydia van der Meer

The odd thing about Oddbins

***Nicholas Faith** on a simple, successful philosophy*

ODDBINS' latest enthusiasm is for Irish whiskey. Their buyers have uncovered some extraordinary specimens, headed by Middleton's Very Rare, at £55, with a delicacy and acacia-wood warmth more reminiscent of a distinguished old rum than a whiskey (or even a whisky). It is this enthusiasm, this lack of fear of the unknown — or the expensive — which has helped make the Oddbins chain the darling of the wine writers and winner of far more awards as best wine merchant than any of its rivals.

Oddbins staff seem bewildered by their success. "All we're doing," says Stephen Daniel, the senior wine buyer, "is to find something a bit different and give value for money." Buying for enjoyment — and value — wherever and whenever, led John Ratcliffe, Oddbins' guiding genius, to "discover" Australia. Other powerful explorers followed his lead, but the chain still holds a quarter of the market for Australian wines sold in Britain.

The enterprise shown in the purchasing policy is carried through in the cheerful (apparent) chaos of the shops, and the wine lists, which are illustrated by Ralph Steadman. The whole adds up to the deliberate exploitation of an informal style of wine-buying, well-attuned to the generation which was at university when the irrepressible Ahmed Pochee, founding father of the idea, opened the first shop to sell bin ends in odd bins in 1973.

He was soon forced to sell out, but his policy survived for a decade under two wine trade executives, Denis Ing and Nick Balls, at a time when other "informals" bit the dust or lost their way in repeated changes of ownership. In 1984 cash flow problems led to the chain's sale to Seagram. Wiseacres assumed that a Big Company wet blanket would smother the wine trade's very own Enterprise Initiative, a feeling enhanced by Seagram's simultaneous purchase of two chains of off-licences, Agnews in Scotland and the (much bigger) Gough Brothers.

But Oddbins' crew, led by John Ratcliffe, fought back, and after a couple of years, in which the business merely ticked over, they won. "In the end," says Stephen Daniel, "we emerged triumphant. Our victory was based on our gut feelings and our professionalism" — and the intelligent appreciation of the chain's possibilities by Seagrams' managing director, Paul Breach. Eventually Breach allowed Oddbins the pick of Gough's shops: since then the parent has provided merely guidance — and financial support.

The last two years have seen much more thorough exploitation of a marketing man's dream customer base (60 per cent ABC1, largely 35-45 years old), enabling the buyers to trade up — Oddbins sells one bottle in eight of champagne sold in this country. Trading up has also meant a wholehearted involvement in malt whiskies, with 43 in stock; and a credit card to provide aficionados with exclusive oddments. For Oddbins is not competing on price. Even the house red and white wines (fruity, sharp, lively, from reputable cooperatives in Gascony) cost £2.49.

At the end of last year Oddbins' buyers took advantage of a sluggish Bordeaux market. "We bought the '88s when the franc was low," says Stephen Daniel, "so we were getting them cheaper than those who had bought them en primeur. In doing so we demystified the en primeur market. People could have single bottles. We brought it within the range of the ordinary wine lover." They then found that some of the despised 1987 clarets — especially from Pomerol — were extraordinary value for money, and put £800,000 of Seagram's money where their palate was: hence such snips as a slightly stalky but nourishing Chateau Nenin for £8.99.

Oddbins' basic strength remains the variety of the wines. Even the Liebfraumilch is fresh and flowery, with a touch of class (and Riesling). The enjoyment emerges in a dry muscat-blend from Gascony (Canon de Marechal £2.99) which could just as well have come from Alsace. Ratcliffe and Daniel then told the Chileans to forget about their beloved old oak vats and rely on stainless steel: hence the fresh, slightly stalky but fruity taste of their 1987 Campo dei Fiori (£2.69). Exploring Portugal led to the warm and rich 1986 Meia Pipa from Joao Pires — where the winemaker is Australian. It is half Cabernet Sauvignon, half the local Periquita variety, which comes over like a Lusitanian Cabernet Franc. Their latest promotion is of Italian wines; the star for me was the opulent 1988 Vespaiolo at £3.99.

They are even tackling the arrogant, greedy (and often incompetent) peasant growers of Burgundy. Their Bourgogne Pinot Noir is proper, mature Pinot for a mere £4.99; and their forthcoming offer of en primeur Burgundies (from Jaffelin and Drouhin, no less) should feature wines from Monthelie and other less horrendously priced villages away from the Cote d'Or for no more than £6.

Buying odd wines implies a definite upper limit. "Our maximum will be 200 outlets," says Daniel. "We had enough problems virtually doubling overnight in 1987 to 120 branches when we absorbed 80 of the Gough outlets." And, at last there is some competition on the horizon as the brewers try to scramble on to the informality bandwagon — not before time, because, in Daniel's words, "we're rather bemused that other people don't do the same, perhaps because they're frightened of taking risks."

Eating Out

One (memorable) night in Paris

ONE NIGHT in Paris. Where to stay and where to eat? We found the answer to the first problem by staying at the Hôtel de Notre Dame in the Latin Quarter. Thirty-two rooms, ranging in price from Ffr 500 (£48) to Ffr 700 but modestly comfortable and offering views of Notre Dame itself from its top rooms as well as a conscientious concierge. Book three weeks in advance for its busiest months, May/June and September/October. Tel: 43-26-79-00.

As to the restaurant, I had been told by no less an authority than Nico Ladenis to go to La Maison Blanche. And with only one opportunity to cull as much restaurant gossip as possible, I was very pleased that Mark Williamson could join me for dinner.

Williamson is one of Britain's few gastronomic exports. Trained, briefly, in the Connaught kitchens, he left London in 1975 with the dream of opening his own restaurant. He spent three years working for Steven Spurrier, another great British export, at La Cave du Madeleine — as he put it modestly, "delivering mineral water to aristocratic ladies." But he learnt a lot, the most important thing being that France did not need another restaurant. He left Spurrier in June 1980 and in October of that year opened what Paris was then very short of — a wine bar.

Not quite so modestly he called it Willi's. It has been a great success and has now been joined by Juveniles, a tapas bar and wine shop, a wine company called Grapes and another restaurant/wine bar, Le Moulin du Village. An important factor in this success has been his partnership with another Englishman, Tim Johnston, who joined him after working for wine companies in Aix en Provence and Bordeaux. Together they have proved a formidable pair.

This has been due to extraordinary hard work, good taste, and the flair necessary to offer what no-one else was offering at the time. The food at Willi's has always been good, interesting and reasonably priced and the fact that it was crowded from its early days made it even more popular. They cleverly decided to concentrate on a wine area that was not popular at the time — the Rhône — and they have done the job so well that they now find that their quotas from suppliers they discovered have been cut.

Both also ooze the English charm which goes down so well with the French and have used their intelligence to maintain public interest in their affairs. Six years ago they initiated the first of the limited editions of Willi's wine bar posters which have proved extremely popular, not only in France but also America.

The idea of going again to La Maison Blanche particularly appealed to Williamson as he said that the chef, Jose Lampreia, was cooking particularly well at the moment, so well in fact that on his last visit he had "borrowed" a Portuguese fish soup for the menu at Willi's. He was also able to caution me about the service.

Way out, nearly outside Paris, situated on the ground floor of a modern block of flats, the restaurant is designer white and wood — efficient if not inviting. The waiting staff wear grey suits and collarless white shirts. They were, with one exception, arrogant almost to the point of rudeness; our table was asked in very bad English four times within a minute of sitting down whether we were ready to order.

Once over this problem the rest of the meal was wonderful. Our table was close to the kitchen, which has glass from floor to ceiling. I could have watched all night. Lampreia is a passionate and inspired chef who carries out his duties with style. Dressed in an all white silk top and wide fitting trousers, more suitable perhaps for a Cossack rider, he works at the door of the kitchen collecting the dishes as they come to him, finishing them with their correct sauce and a seal of approval.

Portuguese by birth, Lampreia has not been readily accepted into the gastronomic hierarchy of Paris, and in fact the one Michelin star he now boasts does not in any way do justice to the originality of his food (although it might flatter the service). He combines the earthiness of his native country with the wonderful ingredients that France can offer and, most refreshingly, his menu describes them concisely but enticingly — most main courses are described in four or five words rather than sentences.

Two starters were sensational. My wife, who believes any visit to France must start with a smidgeon of foie gras, ordered gateau landais, a terrine made with layers of potato and foie gras and then cooled so that the foie gras consumes the potato, while my eggs, scrambled with truffle and served on small triangular slices of polenta, were delicious.

The main courses also combined harmony of flavour and originality as well as owing a debt to the cooking of at least three different countries. Roast pigeon served with fresh dates on a bed of cabbage would have had the blessing of any three-star French chef; another dish, a couscous of minced lamb, rice and apricots, topped with two lamb cutlets, came from North Africa; while a pastilla, a small sweet pastry, topped with slices of duck breast, had its origins in Spain.

There is no-one in England cooking quite like Lampreia, unfortunately. His closest rival in conceptual terms is Ladenis himself. But if you do not believe me let Jean-Claude Vrinat, proprietor of the famed Taillevent have the last word. "Lampreia is a great chef," he told me, "because he makes memorable dishes out of simple ingredients."

■ *La Maison Blanche, 82 Boulevard Lefebvre, 15th, tel: 48-28-38-83. £35.00 per head for dinner, three courses excluding wine. Access and Visa cards.*

■ *Willi's Wine Bar, 13 Rue des Petits Champs, 1st, tel: 42-61-05-09.*

■ *Le Moulin du Village, 25 Rue Royale, 8th, tel: 42-65-08-47.*

■ *Juveniles, 47 Rue de Richilieu 1st, tel: 42-97-46-49.*

Nicholas Lander

Food for Thought

Remember the autumn partridge

***Giles MacDonogh** on a forgotten bird*

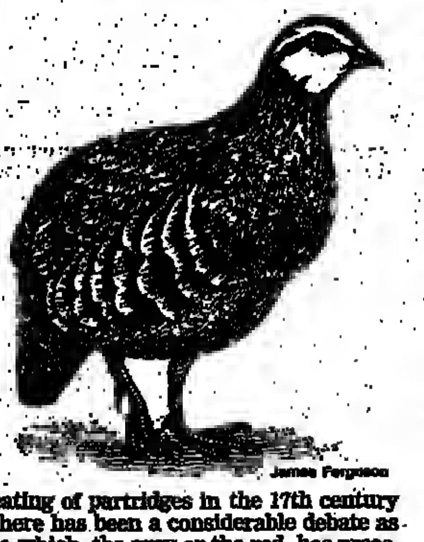
IT HAS been open season on pheasant for a week, and before another seven days have elapsed, the better butchers and fishmongers will have filled their windows with an array of 'colourful' game birds to take us through to Christmas and beyond.

Before it is too late, however, it might be the moment to spare a thought for the partridge. For the next fortnight or so they will still be at their best. It is a delicious bird which passes almost unnoticed between the indecent lust for unbling grouse in August and the winter's pheasant.

The partridge season opened on September 1 and officially continues until February. You might ask, what's the hurry if the birds are around all winter? The answer is that there is a considerable difference between the young bird — which the French call the *perdreau* — and the adult, or *perdrix*. In France they maintain that the perdreau becomes perdrix on the Feast of Saint Denis (October 9) and with the change the bird loses something of its cachet. In November, the flesh hardens and it is said that partridges are no longer good for roasting, though they can be excellent in the casserole or the stewpan. An old partridge is recognisable by the darkness of its legs and by the pink disc in its eye.

In the past couple of centuries Britain's partridge community has changed radically. The small grey partridge, indigenous to Britain and northern Europe, is becoming increasingly rare. Far more common now is the red-legged partridge which comes from south western Europe. More recently the red-legged bird has been bred with the chuckar partridge from the Far East.

Since the Venetians popularised the



James Ferguson

eating of partridges in the 17th century there has been a considerable debate as to which, the grey or the red, has precedence *at the tables of gastronomes*. Charles Blandin, the author of *Cuisine et Chasse en Bourgogne et d'Ailleurs* describes the grey *as a dish infinitely* more delicate than the red. The father of the table, Grimod de La Reynière, was of the opposite opinion, saying that a red was to a grey "what a cardinal is to a bishop." One suspects that Grimod was inspired more by appearance than taste, although his opinion was shared by other notable gourmands such as Talleyrand and the Marquis de Cussy.

The probable answer to the argument is to be found in the analysis of Bryerin Champier, physician to the French King François I: "Half of France has red partridges and the other half grey, but in the cantons where the grey is to be found they won't hear of the red and in those where the red-legged is to be found they won't touch the grey."

In the interest of science I cooked a red-legged and a grey partridge alongside one another, and to my chagrin found I preferred the red — but I might have slightly overcooked the grey.

The grey is certainly more expensive, £4.50 as opposed to £3.80 for a much smaller bird — you can feed two on a red-legged partridge. Grey partridges have become rare from the dangers inherent to their habitat. They nest in hedgerows or on the edges of cornfields. *In the past their chief fear was from* reepers, now the problem is intensive farming — in which hedgerows are uprooted — and chemical sprays which kill the grubs the birds feed on. Nor are the birds easy to breed, requiring hundreds of costly pens.

Something of the attraction of red partridge breeding can be seen in the comparative price of eggs: grey eggs cost anything up to £2 each while reds are a quarter of that. Reds are less fussy about mating and fewer cock birds are required. However, red partridges have become increasingly corrupt of late through in-breeding with the chuckar so that now there are few genuine red-legged birds about.

Although the Far Eastern chuckar partridge was introduced into Western Europe more than a century ago, the *EC is still determined to see it as an* exotic species. This means that special licences have to be granted before it can be killed. Some moves have been made to have chuckars released into the wilds. The EC is against this as it says that, left to its own devices, the chuckar is not apt to reproduce.

Elsewhere the EC is pursuing a contradictory policy. It protects magpies and crows which, apart from man, are the traditional enemies of the partridge. This means that increasingly partridges are only to be seen on private land.

Dr Dick Potts, of the Game Conservancy, was not slow to point out the irony that partridges are only being kept alive by those people who want to kill and eat them. To this effect the Conservancy has joined forces with landowners in encouraging them to preserve hedgerows and leave a strip at the *side of fields where no spraying* is permitted. To date, 495 miles of these "conservation headlands" have been *mapped out. If the scheme does not* succeed it could be a very short season for the native grey partridge.

Cookery

Now's the month to roast your red-legs

SOMETIMES I see partridge, usually the red-legged "Frenchmen," mooching around our garden in search of dea. res, nesting sites, or trawling my herb and vegetable beds as they plan the menu for their supper. Small birds they may be, but their appetites seem far from diminutive. They can *chomp their way* through corn and cabbage like combine harvesters, and I was told once that rum-soaked raisins need to be strewn in a very thick trail if you hope to lure them into your kitchen. But assuming you have bagged some partridge — whether by fair means or foul, I shall not enquire — *how* should you cook them?

I have yet to meet anyone who does not agree that the best way to eat partridge is roasted, and no-one I know has suffered from *a surfeit of roast* partridge in recent years. The birds must be young for roasting, of course, tender and plump-breasted. A bird aged three months or so, weighing about a pound and hung for just a few days, is ideal. September and October are the best months for finding such paragons.

Half an hour in a hot oven is as much as young partridge need (those who cook partridge frequently, such as Nicola Cox, suggest that the grey variety needs fractionally less cooking than the red-legged sort) but barding or some other form of protective wrappings, and frequent basting, are essential to keep them succulent. A waistcoat of pork back fat is the usual thing, or mild green streaky bacon. Smoked bacon is too assertive for the subtle flavour of partridge.

Serve the birds very simply with clear gravy, something clean and green (such as peppery water-cress or steamed Kenyan beans) and something crisp and crunchy — fried bread-crumbs and game chips are classic choices. Delicious options include a rosti-like galette of celeriac and potato, wedges of grilled or fried polenta, small pyramids of well-toasted pine nuts and, later in the season, croquettes of chestnut. I also like to sit each bird on a large, black, shaggy fried mushroom for serving instead of the *usual* round of fried bread spread with the bird's liver.

In Scotland, partridge *are* sometimes roasted to good effect with a few wild blackberries (or, *better still*, raspberries) stuffed into the belly cavity. I am more inclined to use the fruits of the vine: *muscatel* grapes, vine leaves, and grape juice or wine. Wrapping the birds in vine leaves as well as back fat gives extra protection and adds lemony-winey fragrance. A splash of wine adds savour to the gravy.

This year, I plan to try partridge with another favourite fruit of the season, aromatic and juicy Williams pears. I suppose this is a dish that ought properly to be saved for the first day of Christmas, but young roasting birds will be harder to find then and so will Williams pears.

A more unusual way with tender young partridge is spatchcocking them. This is a dish to save for a dinner *a deux* as, sadly, the grills on most modern domestic cookers are too small to accommodate more than a couple of birds at

a time. I find it best to spreadeagle each bird after cutting *out the backbone, then thump* the breast to flatten it and skewer neatly to encourage *even cooking. Marinate with* oil and herbs or spread the birds with savoury butter *before grilling for about 15* minutes.

As the season progresses (or if the *guns, your game dealer* or your own detective work in examining the legs, primaries and bursa indicate that the birds are past the first flush of youth), slower and gentler cooking methods are advisable: pot-roasting, casseroling and braising. Once again, the motto here is: don't overpower the delicacy of the birds with aggressive ingredients. Buttery apples make good partners for partridge while cabbage and cream are sublime. Also to be recommended are leeks, lightly-smoked sausage, little green lentils, celeriac and mushrooms of all kinds.

The sinewy flesh of elderly partridge needs very long cooking and plenty of buttering-up. Shred and pot it. Pack it into a phyllo pie or juniper-scented suet crust pudding, or simmer to extract every drop of flavour for an elegant consommé. Time enough for all that later, though. Now is the season to rejoice in young partridge.

Partridge in an overcoat
(serves four)

This recipe comes from *Nicola Cox on Game* (just published by Victor Gollancz at £18.95). As she remarks in her book, cooking birds in a huff paste is an excellent, old-fashioned way of keeping them moist and succulent without adding extra fat; all the flavour is sealed in and the birds truly taste of themselves. She adds that if *you are clever* (like Raymond Blanc), you can fashion heads and make wings from extra *paste to make your parcels* look bird-like and gild them with egg wash — but don't let the paste *get too thick or you* could upset the cooking times.

Ingredients: 4 young partridge; *8-12* black peppercorns; 12-16 black currant or vine leaves (optional); 1½ lb plain flour; 6 oz *salt*; 1 egg white; 12-15 fl oz cold water.

To make the salt huff paste, mix the flour, salt, egg white and water to a pliable dough and rest for two hours in the fridge.

Wipe the birds, slip two peppercorns into each and wrap them in black currant or vine leaves, if available. Divide the paste into four and roll out thinly into ovals. Lay the birds breast-down on the paste, gather it up and seal the paste. Turn the birds breast-up and roast, *set well apart*, in a very hot oven indeed (500F/250C: gas mark 10) for 30-32 minutes.

Rest for only five minutes before serving or the birds may lose juice into the crust. Let everyone remove and discard their bird's overcoat, which is definitely not for eating.

Grilled partridge
(serves two)

This recipe comes from another new book on game, *Game Cookery* by Patricia Lousada (to be published by John Murray on October 12 at £15.95).

Ingredients: 2 young partridge, plus livers; 2 tablespoons each lemon juice and light soy sauce; 1 tablespoon honey; ½ teaspoon dried thyme; 4 tablespoons unsalted butter; a glass of red wine; 2 slices of toast.

Cut the partridge down the back to one side of the centre backbone, then cut away the backbone. Flatten out the birds and marinate for one hour in a mixture made from the lemon, honey, soy and thyme. Heat the grill and grill for eight minutes, breast side down.

Turn over, smear the breasts with half the butter and grill for another eight minutes, or *until just cooked. Adjust* the distance from the heat if the partridge threaten to burn but *do not overcook them*. Meanwhile, sauté the livers very briefly in the rest of the butter.

De-glaze the pan with a splash of wine, add to the livers and mash with salt and pepper. Serve the partridge on toast spread with the liver paste. De-glaze the grill pan with the remaining wine, boil hard for a few minutes and pour over the partridge.

Philippa Davenport

YACHTING

If you need to ask the price you can't afford one

Yachts, those pampered ladies of the sea, have to be kept working. Roy Hodson explains why

AS HURRICANE Hugo becomes simply a bad memory and the Caribbean islands prepare for their high season, an annual migratioo is taking place.

Many of the luxury yachts that have crammed the fashionable Mediterranean harbours all summer are now following tha sunshine to the Caribbean, manned by their professional skippers and crews. They are making their way under power or sail along the traditional trade wind routes of the north Atlantic to earn their keep during the European winter. With running costs up to $5,000 a day, these pampered ladies of the sea have to be kept working.

Some rich owners will fly out to enjoy their own yachts. In the main, however, the boats will be earning charter fees. But whereas in the past they would have beeo chartered by rich private parties, those lucky enough to sail aboard them this season are just as likely to be the employees and guests of companies enjoying what is now known as corporate hospitality.

Bookings for the yachts, at prices ranging up to such stratospheric levels as $200,000 (£123,500) or more a week (the US dollar is the standard currency in the market), stretch well into next year. The most desirable of the fleet already have full charter schedules arranged for six months ahead. In the main, they are handled by yacht brokers and agents in Britain, France, Spain, Greece, Italy, Japan and the US.

The true luxury yacht is the staple commodity of a shadowy international market. It is a market without any obvious market place beyond discreet agents' brochures and occasional accounts in the yachting magazines of the latest triumph from a specialist yard.

It is also a market in which the boats and their necessary lubricant – very large amounts of money – cross international waters and slip in and out of many countries with effortless ease. The old adage – that if you need to ask the price of such a yacht, you probably can't afford to own one – still holds true. After all, a new boat will cost you between $5m and $40m.

Often, they are built, owned, managed, boought, sold and chartered in conditions of great secrecy by people who consider a yacht the size of a mini-ocean liner the ultimate plaything but who have no wish to flaunt such a conspicuous display of wealth before the vulgar gaze of the public.

So where does ordinary yachting end and the league of the luxury yachts begin? I have had as many answers to that question as the times I have put it to experts.

Among British yards, the Laurent Giles design team and David May, chairman of specialist builder Berthon Boat at Lymington, Hampshire, see the 25-metre motor yacht *Dalvina*, which they have just completed for Robert Iliffe, as a sophisticated and luxurious vessel for world cruising.

A few miles along the Solent at Gosport, Nick Maris, chairman of Camper and Nicholson, (yacht builders since 1782) is supervising the finishing tonches to a stately sailing yacht just over 30 metres long called *Royal Eagle II*. It has been built for an American owner and he and his family will be able to handle – without help – the many thousands of square feet of sail that once would have needed a crew of 20. The boat is a miracle of automation and hydraulics.

Yet, both these yachts are merely on the threshold of the big luxury market. The consensus appears to be that owners and charterers in this league are looking for vessels ranging from 30 metres to 80 metres and beyond. The amount of "luxury" crammed into them depends simply on the depth of the owner's pocket.

Such yachts have a rarity value. There are fewer than 200 such vessels in commission throughout the world's sailing grounds and only nine or 10 new boats are being launched each month (although more and more commercial shipyards are turning to high-quality yacht commissions). Prices of $40m are now being mentioned at the tendering stage as the best specialist yards offer slots in their building programmes for two, three and even four years ahead.

Construction of the biggest steel motor and sailing yachts is shared largely betwesn builders in Holland, West Germany, Italy, the south of France, Taiwan, Australia, Japan, tha US and Britain. Brooke Marine is the leading UK yard for these but the now-privatised Devonport naval yard could handle vessels in the size range. It has already moved into yacht work with an order to build a series of ocean racers for a British Steel-sponsored event. Another British builder, Robert Tough, has his yard at Teddington on the river Thames, and new boats squeeze under the bridges on their way to the sea.

The world market for luxury yachts is expanding rapidly while also undergoing fundamental change. Three principal reasons can be identified:

■ The corporate market for the use of luxury yachts is developing quickly. That means there is a demand for very large yachts, crewed and managed to high standards. It is a demand which is already proving difficult to fill from the existing world fleet.

Companies are using yacht charter and ownership not only to give their directors and wives a break but also to provide incentive prize trips for their best salesmen, to entertain their customers, and as a business tool. This summer, British publisher Robert Maxwell used his own motor yacht to meet business journalists and City folk to explain his plans in more congenial surroundings than London EC4.

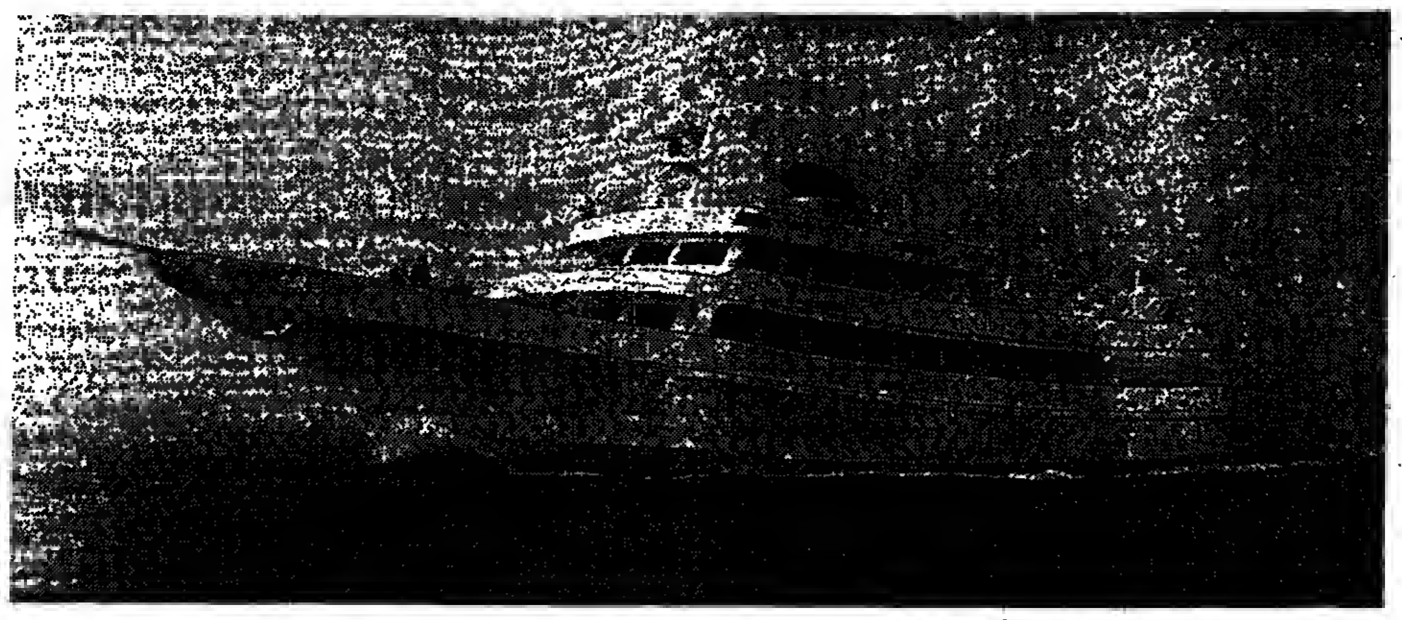
■ As luxury yachts become a part of the international business scene, owners and charterers are looking for greater cruising ranges and, in particular, faster vessels. In the jet age, the progress of a classic motor yacht at its economical cruising speed (under 20 mph in the landsman'a terms) can seem slow to its impatient passengers.

Designers and builders can provide faster vessels – but at a high price. Speed at sea is expensive. Nevertheless, fast yachts are being built, with much use of lightweight exotic materials such as carbon fibre, and they are being fitted with high-performance, fuel-hungry engines. Catamaran hulls and water jets are other innovations. Such vessels can provide many more knots of speed than convantional designs and, thus, more flexibility when they come to be offered in the charter market.

■ There is an upsurge of interest among rich private yachtsmen in building boats of character and style almost regardless of expense. Part of the attraction is the ability to fly to join your yacht in an idyllic cruising area. There is an unprecedented demand for large sailing yachts equipped with the luxurious aids to living once found only in big motor vessels.

There are signs that another luxury cruising market will develop. At present, even the biggest luxury yachts in the world fleet rarely accommodate more than 15 to 20 guests. "They have too much luxury designed into them," says one broker. There is a gap in the market between cruising for small parties and the cruise ships, the smallest of which can accommodate more than 100 passengers.

Designers are starting to offer vessels to fill that gap. If a demand can be proved for cruising parties of between, say, 40 and 80 people, a fleet of super yachts (they might become known as hotel yachts) will be ordered and a great deal of new business will be generated. Meanwhile, if you are looking for a luxury yacht, I am assured that almost every boat in the world fleet is for sale – at prices agreeable to the owners, of course.



The motor yacht *Romantica*, one of the latest in a proud line of big yachts, cleaves her way through Solent waters

Just what *does* a broker do?

THOSE ENERGETIC *Edwardians developed a fad* to leave the chilly waters of Britain behind and go boating on the Riviera. What started as a whim to do something different gave rise to the international yacht marketing and broking business which has flourished in Britain and the Mediterranean yachting resorts ever since.

Over the years the various professionals involved in the design, construction, sale, and chartering of yachts have defined their roles. Their professional body in Britain, which was formed in 1912, now sails under the colours of The Yacht Brokers, Designers, and Surveyors Association, with its own secretariat at Liphook, Hampshire.

The members, apart from their other work, handle the *registration of upwards of* 1,000 yachts as Registered British Ships every year. Full registration costs about £500. That includes a handsome carved number plate which must be built into the boat's structure for life. Full registration is not mandatory, but it gives a yacht status on the British shipping register and therefore all the protection in foreign waters, and in dealings with foreign officials, that the British government would afford an ocean liner. Full registration is also required before a marine mortgage is provided for the purchase of a yacht.

The British brokers provide training courses through their association and at least five years experience in a brokerage is expected before a trainee acts as a principal. Members have to take out professional indemnity which is checked annually by the association. There is no comparable professional organisation in other European countries.

What do you get from a yacht broker? The standard British brokerage fee is 8 per cent of the selling price of a boat. It sounds high. But a yacht broker does much more for his money than a house agent selling a house of comparable value. He takes on many legal and financial chores. One of the broker's crucial tasks is to establish the correct title or ownership of the vessel offered for sale. Titles frequently become hazy or confused in the maritime world because yachtsmen fail to register ownership changes with the shipping registrar. Often, too, the broker finds himself acting as nautical adviser to both buyar and seller during the course of a typical deal.

The broker will also take responsibility for the purchase funds and hold them in an escrow account until the deal is completed in the interests of both parties. When currency restrictions were tougher than they are today in a number of countries it was not unusual for a would-be yacht owner to turn up at a London brokerage office with a suitcase full of crumpled notes from various Mediterranean nations. Cheques are preferred these days, although cash is rarely refused.

When handling a yacht charter the broker will usually suggest the particular set of terms the yacht owner wishes to work to. The terms are usually dictated by the cruising area for the yacht.

Western Mediterranean Terms are used most frequently in French, Italian, and Spanish waters. These terms include the boat and its crew and insurance. Everything else is extra, which means that the charterer must pay as he goes for fuel, harbour dues, food and drink. That is seen as to the charterer's advantage as it enables purchases to be made as needed at local prices.

Eastern Mediterranean (or Greek) Terms provide for a small amount of fuel to be included in the charter fee together with all meals, or a set number of meals a day. Caribbean Terms cover the provision of everything except drink.

Patrick Boyd, association president, makes the point that in the luxury charter market you can have just about anything you can pay for. He recalls a group of Americans who wanted lobster omelettes for breakfast with champagne. They got them. Every morning.

He says that the usual Western Mediterranean Terms have stood the test of time because clients sailing in those waters usually want to see, and be seen, in the fashionable resorts and restaurants. They want the freedom to eat ashore without feeling they have paid for a meal on board.

The sort of luxury cruising market that is now developing is exemplified by the motor yacht *Katalina*. She is just over 65 metres long with a crew of 20 and accommodation for 20 guests. She and a few yachts like her are to be found on the books of the top brokers. She cost $20m to build and is now worth $30m.

Simply maintaining and crewing *Katalina* costs $2m a year, which goes some way to explaining why the Camper and Nicholsons brokerage is asking a charter rate of $205,800 (£127,000) a week during July and August, $164,700 a week in the low season, and $131,800 while she is cruising in the Caribbean.

Expressed another way you will be paying between $940 and $1,470 per person per night. The price does include a grand piano, a fitness room, a sauna, a helicopter pad, and satellite communications systems (two of them). You need never lose touch with the office.

■ *The Yacht Brokers, Designers, and Surveyors Association, Secretary Rae Boxall, Wheel House Petersfield Road, Whitehill, Bordon, Hants. GO35 9BU. Tel: 04203-3862.*

Roy Hodson

This week and next Michael Field tells you how to buy and restore Georgian furniture – without necessarily using vast resources

A buyer's lot is not always a happy one

IN MAY THIS year I was sitting in the Large Gallery of Sotheby's, New Bond Street. Up came lot 40: "An unusual George II mahogany small bookcase, circa 1740, (estimate £10,000 to £15,000." The bidding moved slowly up to £5,200, at which point the lot was "bought in." It failed to reach its reserve and was knocked down to one of the auctioneer's own bids.

I had never thought of bidding for the piece – I had a good bookcase with space to spare – but lot 40 was attractive and I thought maybe I would negotiate through Sotheby's a compromise price with the seller and take it in for the future. I pushed my way to the back of the room to have a look at it, telling a dealer who was leaning against it not to put his elbow through the glass panel door I was opening.

"Wouldn't matter anyway," he said. "It's a fake. Second time they've tried to sell it," he added. "Never mind what they say about it having been in 'the late Lady Benthall's collection' – collections are the worst. Half the stuff in Buckingham Palace is fake. Still, don't let me put you off – in its way it's very nice."

"Oh," said I, "thank you very much," and I started looking at the bookcase more cynically. And, of course, I began to notice faults. The hinges were in an unusual place. Woodworm had attacked the top and the front, rather than the darker, damper bottom of the backboards. Also, although it was vaguely Hogarthian, it looked like no George II bookcase I had seen before. Most probably, I decided, it was made up of bits of panelling, a cupboard and a door frame – all of them early Georgian but only united to make a bookcase in this century.

Still, before the dealer's intervention none of these points had occurred to me and I left the auction room feeling rather humble. The moral of the tale is that the higher up the antique furniture market one goes the more one comes across pieces that, in the trade's words, are "not right".

Like Emma Crichton-Miller, who wrote on this page in February about furnishing her house with old "country" oak and beech furniture, in the last four years I have been furnishing a flat – but with 18th century walnut and mahogany. Our motives have been the same – to buy furniture with individuality. The difference in what we have been doing lies in Georgian mahogany furniture being much more expensive and, because of this, more prone to alteration, faking and "improvement" and more complicated to buy.

Michael Field with some of his Georgian furniture Tony Andrews

The unhappy fact is that in spite of 200 years of wear and tear, worm, rot, fire and, most recently, bombing there is more high class "Georgian" furniture in circulation in Britain and America today than could possibly have been made in the 18th century. This is particularly true of highly carved furniture of the Chippendale and pre-Chippendale periods of 1730-65.

Hardly any – maybe none at all – of the "additional" furniture has been made recently from totally new materials. It comes from a variety of old sources, some honest, others not. A great deal is 19th century copies of 18th century patterns – there were Chippendale revivals in the early nineteenth century, at the end of the century and in the Edwardian era. There was a Regency revival in the 1890s. The earlier copies are difficult to spot because they have acquired 170 years of patination.

In the early 20th century there was much outright faking – copying with artificial ageing. Most of this and later faking has involved the reconstruction of relatively simple genuine pieces, a technique which gives the finished product an authentic patina over part of its surface.

Less serious, but much more common, is later carving, particularly on the legs of chairs and the feet and pedestals of tripod tables. Most tripod tables made in Georgian England were plain, as one can see in contemporary paintings. Now most in circulation in London have some carving – suspiciously shallow claw feet, acanthus leaves on the legs, fluting on the pedestals.

There are marriages and adaptations involving two genuine pieces being cut down and put together to make something more saleable. This affects bookcases, bureau cabinets and, again, tripod tables. "What does the bloke think he's doing?" I once heard a rotund and mustachioed dealer say to his friends at Sotheby's when the bidding for a dumb waiter went above the estimate. "It's not even tall enough to make a tripod table."

Another, highly respected, dealer told me that he reckons that a quarter of the pieces at the auction houses have been altered in some way. Even though the auctioneers represent the sellers, they could be more zealous in looking for alterations and could indicate them more often in their catalogues.

What anyone who wants to buy Georgian furniture has to decide is whether he or she minds collecting a lot of altered pieces. After all the wood is (mostly) original, many of the pieces have a pleasantly old look and they serve their purpose in the home.

My own view is that I do mind very much. I want to be sure of the provenance of what I've bought. I want the furniture I live with to be as it was in the 18th century, except in colour and patina – otherwise I am being deceived. There is romance in using things that have been part of the lives of a succession of owners for ten generations; there is none in using the creation of an opportunistic carpenter.

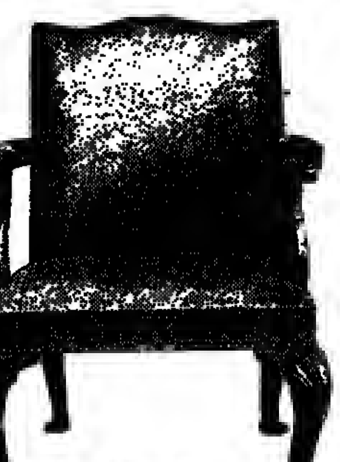
I was lucky as abont the time I started buying I met at a party someone who worked at Hotspur, a very scrupulous Belgravia dealer with a collection of magnificent furniture, and from time to time since then she and one of the owners of the firm, Brian Kern, have looked at pieces for me and given me advice. Anyone who starts collecting Georgian furniture needs advisers, including, typically, a dealer through whom he buys part of his collection. Other advisers might be restorers and, more informally, the staff at Christie's, Sotheby's and Phillips. The people there are not infallible but the advice they give to buyers is pretty frank. They volunteer more than the average dealer. The people who are often not good advisers are interior designers.

A beginner might imagine that the process of distinguishing "right" furniture from altered is a technical matter of learning about construction methods and developing an eye for tell-tale authentic and false marks on the backs and undersides. In part this is so, but equally important is learning what looks right in an overall stylistic and aesthetic sense. There is no short cut to this. One develops a feel for correct shapes and proportions by constant contact with good furniture. (One learns much from polishing one's own.) If one is not prepared to devote a great deal of time to looking at furniture one will do better not to buy at all – or rely totally on an adviser.

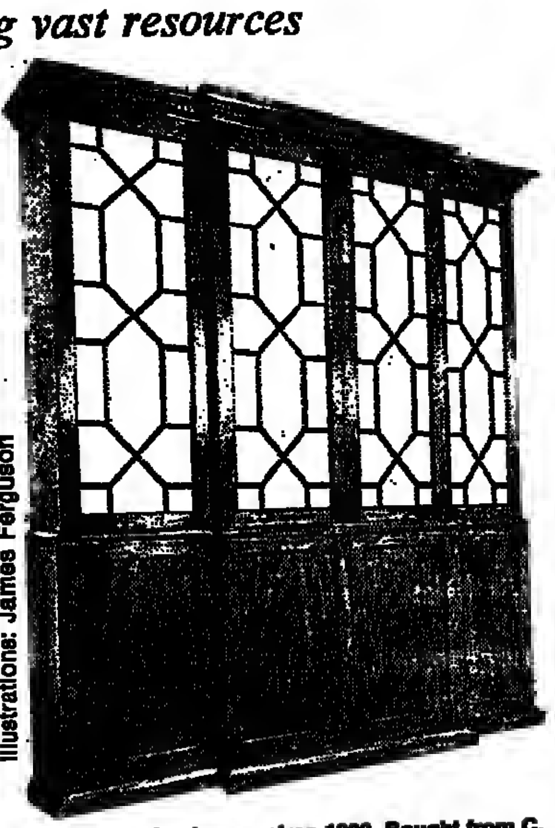
Of the four mistakes I have made in buying Georgian furniture and silver – a "mistake" being when I have bought an item without being fully aware of its shortcomings – three have been caused by my being insufficiently familiar with the normal look of the piece – not by my failing to notice something technical.

Shield back mahogany Hepplewhite chair, circa 1780. Bought in 1986 from Christie's

George II walnut country armchair, circa 1750 from David Pettifer, London SW3 in 1987



Early Georgian walnut armchair, upholstered in plain silk velvet



Mahogany bookcase, circa 1800. Bought from C. Fredericks in Fulham Road in 1986

Card table in mahogany with satinwood crossbanding, circa 1785, from Sotheby's

Illustrations: James Ferguson

Two of the mistakes – my failure to notice a piece of carving missing from a Regency mirror and my not realising that the sides of a Rococo silver salver had been bent slightly upwards to give it more of a tray shape – I do not regard as too serious. In the case of the mirror I have simply had the carving redone.

The two other mistakes I returned to the sellers. I persuaded Sotheby's to take back a card table which had a replacement leg, on the grounds that if it catalogued some pieces as having "restorations" it implied that lots without this caveat (like my card table) did not. As it happened I had noticed a slightly different grain in one leg in the auction room, but in the dull light that shone in the Large Gallery that morning one of the Sotheby's staff and I had decided that the leg was alright. It was only when I was giving the table a welcoming polish at home that it became obvious that the leg was a replacement. The auction houses are not obliged to refund in these circumstances and Sotheby's was extremely pleasant in the way it accepted my request. I now take a pen torch to the auction rooms.

A Georgian grate and fire irons, allegedly circa 1800, bought from H.W. Poulter in the Fulham Road, I returned six months after buying them, when another dealer, from whom I was buying a fender, explained that the whole structure, bar the frieze, was a combination of late Victorian Adam-style copies and rather inaccurate artificially aged reproductions, circa 1987. He showed me some identical reprodnction finials on some fire-irons he had himself – the important difference being that he was not selling these fire irons as being genuine. I did some further research and talked to some other dealers and producers of aged "reproduction" brassware and then took the fire back to Poulter and said what I had discovered. The dealer, who has a generally good repntation, refunded me straightaway, saying that he had bought and sold the fire in good faith.

I have no prejudice in favour of either auction houses or dealers. I have bought equally from both. Dealers often tell one that "with the prices realised at Christie's and Sotheby's these days" they would do better to auction their whole stock. However, in the Fulham Road at present there are several pieces which have been bought for high prices at auctions and are now in dealers' windows with even higher price tags on them. There is no standard dealers' mark-up – in the last two months I have spotted margins ranging from 25 to 200 per cent.

If one is fairly knowledgeable there must be a financial advantage in buying at auction – provided one is patient and sticks to making fairly low bids. At auction private buyers can pursue lots to ridiculous levels. Some are rich, knowledgeable and determined; others are just ignorant.

If one does not have time to spare and one wants to be certain that what one buys is right, one will do better to find a dealer of absolute integrity – Norman Adams, Jeremy Ltd and John Keil are particularly good names – and pay his margin happily in exchange for peace of mind.

To buy and enjoy Georgian furniture you do not need vast means though clearly you do need some surplus income. The average price I paid for my pieces is around £4,000 and my single biggest piece of expenditure was the £10,000 I paid for a breakfront bookcase in 1986. On the other hand looking at my collection now, I have some good pieces that should eventually be worth a great deal more than I paid for them and, more importantly, will give me pleasure for many years to come.

Mahogany with rosewood inlay tripod table, Sheraton style, 1795. From Norman Adams, Hans Road, London SW3

LUCIA VAN DER POST IS ON SAFARI IN BOTSWANA

Eureka

More takeaway technology

Peter Knight gives you the basic facts about fax

WHEN City solicitor Ian Terry heads for his weekend cottage, one of the most important bags bumping about in the car boot is his detachable umbilical cord to the office: a portable facsimile transmission, or fax, machine.

Terry is a litigation partner at Freshfields and specialises in contested mergers and acquisitions. "During a big corporate battle, I'm on call all the time. Having a portable fax means I'm not tied to the office, especially during holiday weekends. I can receive important documents, send back my comments and then get on with the holiday," he says.

If Terry was really keen on working absolutely *all* the time, he could buy a briefcase-sized fax that can receive and send documents via his car telephone. This would mean, for example, getting the latest on a multi-million pound takeover while he is negotiating West London's Hanger Lane gyratory system.

Go-go lifestyles such as Terry's have helped to make fax machines global best-sellers. You can order a pastrami on rye by fax from many New York delis and, in the same way, you can get a Big Mac "to go" from Houston's new mammoth-size McDonalds.

The Japanese, who type little, use fax a lot to send and receive handwritten letters and memos. In Britain, business letterheads now look naked without the fax number and soon this might be true for homes as well – certainly among the professional classes who tend to bring work back from the office.

Our fast-changing lifestyle, brought on by a growing skills' shortage and a shift in our attitude towards the amount of time spent away from the family, is set to boost the demand for technology that releases us from office life.

There is nothing terribly exciting about the science behind fax. It has existed for decades but, of all the methods used for sending information around the world, it is now the most popular because it is so easy to use.

You plug the machine into the telephone socket and the mains, stick the piece of paper in the appropriate slot, dial the number and that's it. There is no fiddling with funny electronic boxes called modems, no uploading of word processor files, and no PhD in computing needed. The information you receive comes on a bit of paper that can be scribbled on, folded and stuck in your back pocket for later reading.

Fax works something like this. The machine looks like a small photo-copier. It takes an electronic photograph of the whole page – typing, pictures, scribbles, mistakes and all – and turns it into computer language. This digital information is then turned into a series of horrible squeaky noises that are sent down the telephone line. At the other end, the noises are interpreted by another fax machine which reverses the process and prints the picture it has received.

The time it takes to complete the entire process, and the quality of transmission, depends on two main factors: the quality of the telephone line and the sophistication of the machines.

Noisy telephone lines impede the progress of information because one machine automatically checks with the other whether it is receiving the right details. A bad connection can lead to some distortion, such as skewed lines and unreadable letters.

'ALL RIGHT, SON, I GUESS YOU'RE OLD ENOUGH TO BE GIVEN THE FAX OF LIFE'

Machines also differ in their ability to send fine detail, such as architectural drawings, and differentiate between similar tones, such as newspaper clippings and photographs. All fax machines that comply with the standard called Group III will send typewritten or handwritten documents. The more expensive machines will transmit documents containing an array of more complex shades, but these will be receivable only by machines of similar quality.

Fax machines suitable for the home are about the size of three stacked telephone books, and are portable in the sense that they can be lugged from one place to another. Prices range from about £500 for a discontinued but perfectly useful model to around £2,000 for the best of what office-equipment suppliers call the "desk top" range. Price normally reflects the number of extra features.

There is a lot of discounting, though. For example, the recommended retail price of a Canon 120 is £1,195 (excluding VAT) but the machine is available from shops in London's Tottenham Court Road and from Wildings, an office equipment retailer, for £795 (without VAT). For stockists, look under FAX or Office Equipment in the Yellow Pages and also try high street electronics shops such as Dixons. Phone around for the best deal.

Choosing the right machine depends greatly on what you want to do with it. The small models usually send only A4 sheets and are not good at sending close detail or low-contrast documents. So architects and engineers, say, who want to do some work at home will have to go for the more sophisticated and far more expensive machines.

But if you need to receive letters, memos and A4 documents, the small fax machines are quite adequate for the job and can be stored on a bookshelf or in a cupboard when not in use. For me, three basic facilities are needed on the machine.

First, memory dialling. This allows you to store a fax number that is called regularly, such as the office, and then subsequently tap in only one digit to make the call. Most fax traffic is between known groups of people, and memory dialling cuts out the problem of remembering the numbers or misdialling.

Second, automatic re-dial. Fax numbers are often engaged and it is time-consuming to return every few minutes to try again. Some machines will re-dial the number antomatically a few times before giving up.

Third, automatic paper feed. Basic machines have to be fed manually for each page that is sent. Automatic paper feeds allow you to drop the pages (up to 10 in some cases) into a tray and the machine takes them one at a time when it is ready.

Some machines will turn on autometically when a fax is coming through. This is handy if you have a single telephone line at home and want to be able to receive faxes when you're out.

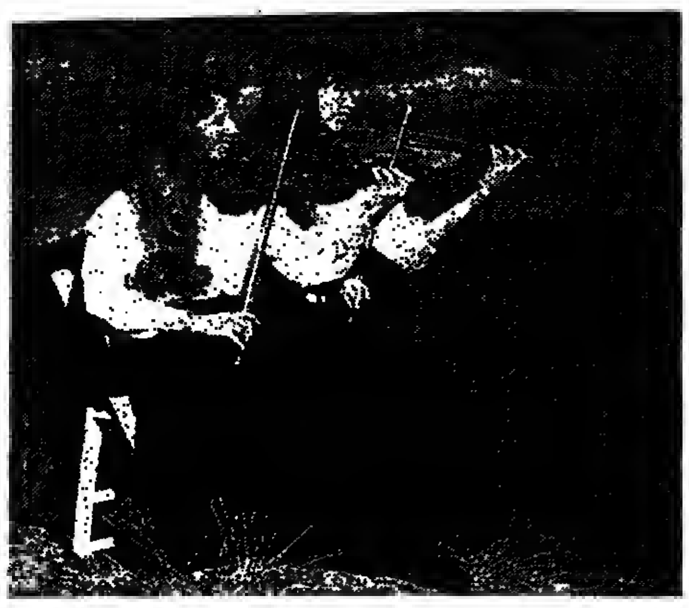
There are other facilities that some people might find more useful – snch as a built-in memory in case the machine runs out of paper, and group dialling.

The basic buying advice, as with everything high-tech, is to know exactly what you want to do with the machine before exposing yourself to the people that sell them.

Watch out, too, for leasing deals. If you are paying with your own rather than your company's money, it is always cheaper to buy rather than rent. Leasing helps to spread the cost and sometimes allows you to npgrade to a better model but, invariably, you end up paying a lot more on the deal.

Beware especially of suppliers who charge for installation and training. The machines plug in and are very easy to use once you have read the instructions.

Sound of music in the hills



Fiddling in the mountains at Keystone

Andrew Porter trawls the American music festivals

THERE IS much music in the mountains of New Mexico and Colorado during the summer. The Santa Fe Opera is probably the best known. (Andrew Clements wrote about it this year.) There John Crosby regularly puts on something new: five Henze operas over the years, the world première of Berio's *Opera*, this year Judith Weir's *A Night at the Chinese Opera*. The other speciality is Strauss; all the operas except *Guntram* and *Die Frau ohne Schatten* have been done there.

Simultaneously there is the Santa Fe Chamber Music Festival: a roster of America's best players gathers, combining a summer holiday with hard work; a composer-in-residence is appointed (this year it was Bruce Adolphe); new works mingle with the classics; and most days the evening concerts are preceded by day-long "concerts" in the form of rehearsals open to the public.

In the 19th-century mining days, many towns had opera houses, and some of them still stand. Central City – once larger than Denver – survives as little more than two paved streets, an opera house (1878), two hotels and three churches set within a ghost town, a hillside tracery of vanished streets and crumbling foundations. The theatre returned to life in 1932; Elanor Steber, Beverly Sills, Sherrill Milnes gave yoothful performances there, and *The Ballad of Baby Doe* had its première. Some years ago I saw there a workshop production of Cadman's *Shanewis* (Met 1918, arias recorded by Nordica and McCormack), a freshly tuneful piece that might bear revival. But in recent seasons the repertory has been somewhat less adventurous.

Leadville has the Tabor Opera House, built by Baby Doe's husband, Horace Tabor, in 1879. (Not far away is the Matchless Mine, with the shack where the once-glittering beauty lived out her last years – a moving place.) Emma Abbott, a Marchesi pupil (Covent Garden debut 1876) played six operas in Leadville in 1882, and Oscar Wilde lectured to the Leadville miners on "The Practical Application of the Aesthetic Theory to Exterior and Interior House Decoration, with Observations on Dress and Personal Ornament." The Tabor is a museum now – evocative, unrestored, with the original dressing rooms and some of the original stock sets.

On the other hand, the Wheeler Opera House in Aspen (1889) has – like most of Aspen – recently been restored, with skill and some splendour, and now plays a year-round season. Aspen, like Leadville, boomed while silver did and dwindled in 1893, with the demonetization of the metal. After the last war, Aspen began to boom again, but now as a resort, "a hangout for jet-setters" (in the words of my guidebook) which has "drawn a very educated and sophisticated group of residents." It sounds rather awful, and in some ways it is – but also lively, picturesque, and magnificently placed amid the mountains (even if some slopes are being scarred by villae). The Aspen Music Festival, June to August, is home to a big summer school and presents many concerts. This year, the students played *Mose in Egitto* and Britten's *Rape* and *Screw* in the Wheeler Opera House.

I could go on and on: about chamber music in Ouray or the contemporary music "institute" in Telluride – two townships amid the peaks which struck gold after the silver slump, and are now resorts. About spectacular scenery. About the way many of country's best performers and teachers make for the mountains in summer, combining a holiday with teaching, and perhaps a few recitals, at one of these festivals. Critics are likewise lured to combine "work" with tourism, with exploration of the Victorian towns and, above all, of the inspiring landscapes.

This year, I paid my first visit to the Keystone Music Festival. Keystone is a carefully planned, coherent modern resort laid out in pine forests between mountains, along the valley of the Snake River, about seventy miles west of Denver. In winter it is a busy ski centre, equipped with snow-making machinery and night-lit runs; in summer, a place for walking, swimming, riding, boating, etc. Besides a large lodge and an inn, several restaurants, shops, it has over 700 service "condominiums" clustered through the woods, rentable by visitors when their owners are not using them. (A scan of the visitors' book of the condominium I stayed in revealed two couples from different states enjoying "Great Skiing and Sex, Sex, Sex." A few weeks later, two young men were enjoying the skiing but wishing that female component of the earlier party had still been there.)

On a loftier plane there is the Keystone Center, which describes itself as a "non-profit facilitation, mediation and education organisation . . . a neutral conflict management and public policy organisation with a field science component for young and adult students . . . an innovative matrix where consensus building approaches to controversial science-related issues [environment, genetic resources, natural resource, site and issue-specific conflicts] can be addressed." There is a large conference centre.

But Keystone gets onto an arts page because of the Keytstone Music Festival: over ten weeks of summer concerts given there by the National Repertory Orchestra, whose players, aged between 16 and 26 are recruited (like those of Aspen and Tanglewood) by audition from the music colleges and conservatories of the country. The music director and chief conductor is Carl Topilow; Otto-Werner Mueller and Joseph Silverstein were guest conductors. The orchestra plays two or three times a week, in a tent of admirable acoustic design, holding about a thousand people. Chamber recitals are given in a large restaurant at the top of the principal ski lift. The programmes included big works *Heldenleben*, *Sacre*, the Prelude and Liebestod (with Ellen Shade the soloist), and rarish works (the Bartok and the Piston viola concertos), and a new work or two, commissioned for the orchestra.

I heard a Silverstein concert, with reduced orchestra, and enjoyed it: Mozart's B-flat Symphony K.319, the D-major Violin Concerto with the conductor as soloist (Silverstein led the Boston Symphony before he became conductor of the Utah Symphony), Schubert's Fifth. The young strings were firm, light and true. The wind chorus was well tuned and well balanced (Willa Henigman, first oboe, especially good). Silverstein combined a minimum of fuss with a sharp sense of telling incident. Of course the place, the scenery, blissful days in the sun and the water played a part in inducing euphoria. That evening there was a spectacularly beautiful sunset over the mountains. But extra-musical pleasures are a legitimate, even necessary part of any "festival." (Consider Edinburgh, Aldeburgh, Persepolis while it lasted.) At the least, they prompt tolerance. And at good concerts, such as Keystone's was, they heighten responsiveness.

Old masters for connoisseurs

Now is the time for serious collectors to visit New York, says **Homan Potterton**

DURING THE past week, New York has seen the opening of a major Velasquez exhibition at the Metropolitan Museum; a select showing of Old Master paintings at the Newhouse Galleries; and the International Antique Dealers' Show where, among the very few stands showing paintings at all, the old masters displayed both by the London dealer Richard Green and Bruno Meissner from Zurich were exceedingly choice.

Next week, Colnaghi opens an important show of French Art from the time of the Revolution and then, on Thursday and Friday, October 12 and 13, both Christie's and Sotheby's have sales of old master paintings.

In addition, Sotheby's will exhibit in New York (14-17 October) nine important old master pictures from the Robinson Collection which are to be sold in London in December. With all this activity, should we be tempted to think that old masters are at last coming into their own in the States?

Neither of the auction houses are billing their sales as "fine." Quite right too, because they are not. Top estimates in the Christie's sale are about $50,000; Sotheby's is aiming a little higher. Such modest offerings can, however, be tempting to the informed collector or connoisseur. He is a different breed to the mega-millionaire art investor who, with all the sensitivity of a corporate raider, will descend on the New York salerooms next month for the big Impressionist and Contemporary sales.

Among the top lots at Christie's is a well-painted 17th-century "Hagar and the Angel." Attributed in the catalogue to Sigismondo Coccapani (whoever he may be), it has a decided French look. It is estimated at $20,000-30,000. The same subject features in a fine large landscape by Gaspard Dughet ($30,000-50,000) and other highlights are a Peruginesque "Virgin and Child" ($20,000-30,000), a Dirk Hals merry-company – signed and dated 1631 ($30,000-40,000), and a pair odd canvases of peasants enjoying themselves by Pieter van Bloemen ($20,000-30,000).

An extensive landscape at evening, signed by Jan Wynants is estimated at $10,000-15,000. A (cut-down?) head-and-shoulders portrait of Queen Henrietta Maria ($20,000-30,000) is given to Cornelis Jonson: it looks good in the catalogue and, as it once belonged to a descendant of Van Dyck's widow, it might be repay further scrutiny. Anyone with a taste for those "cruelty to animals" pictures which Landseer painted, might like Lot 188: this Victorian work is by one John Mogford, and shows a colossal Newfoundland dog licking his lips having just killed a cat ($8,000-12,000).

With over 300 lots, Sotheby's has the larger sale and it is also selling a number of period frames which come from the Estate of Walter Chrysler. The top estimate ($80,000-120,000) is for a three-quarter length signed Goya portrait of a horribly-ugly Spanish marquesa. The best pictures in the sale are a number of signed Dutch 17th-century paintings which are estimated to sell at anything between $10,000 and $60,000. The artists represented include Horemans, Michau, Paul Potter, Cornelis Beelt, Cornelis de Heem, Wynants, Camphuisen, and Adriaen van der Velde.

There is a charming "Peasants Resting" by the little-known Nicolaes Sicke ($30,000-40,000) and a pair of unusual parodies by Jan Miense Molenaer: "The Death Bed" and "The Funeral Cortege," both of which has a dog as their principal subject matter. A small portrait of a man holding a skull, with a quotation from Heroditus on a piece of paper beside him, is dated 1662 and is signed by J F de Geest (est. $6,000-8,000). Two large French baroque paintings, which have defied certain attribution, are estimated at $10,000-15,000. A handsome portrait of the 1st Duke of Leinster, attributed to Jean Baptiste van Loo, may sell at anything from between $10,000 and $15,000.

The Robinson pictures, which Sotheby's will exhibit, come from the famous collection formed by Sir Joseph Robinson at the turn of the century. Included in the group are two 15th-century secular Florentine panels which are estimated to sell at anything between £2.5m and £3.5m. There is also a Murillo altarpiece (£1.25-1.75m) and a portrait of a boy in blue by Gainsborough. He is called "The Blue Page" to distinguish him from the artist's similar but famous "Blue Boy." Sotheby's hopes that this picture will break the record of £1,650,000 for a Gainsborough.

These pictures will be auctioned in London on 6th December but, by showing them across the Atlantic, the auctioneers no doubt hope to entice more Americans into the market for old masters. Ironically, one means of doing that seems to depend on being able to affix a price tag of a couple of million dollars or more.

None of the paintings at the International Antique Dealers' Show was in that bracket. Richard Green had a Van Goyen "Winter Scene," a Willaerts of "The Pilgrims departing from Delft" and a whole wall of beautiful still-life paintings by such masters as Van der Ast and Cornelis and Jan Davidsz de Heem. Bruno Meissner had an interesting *bozzetto* for a known altarpiece by the French baroque painter Charles Poerson, a Vernet, a Hubert Robert, and a Wright of Derby. His German 19th-century paintings were well received. Both of these dealers already have an established American clientele and, for both of them, the Fair was as much an opportunity to meet clients and make new contacts as it was to sell. Meissner was "disappointed" with his sales, Green did better with his Impressionist paintings.

But both dealers are far too clever to bother coming to the States if they did not feel that there were clients there for their wares. Those clients may at this very moment be queuing for Velasquez on the steps of the Metropolitan Museum, their next stop might well be Colnaghi, Newhouse, Green or Meissner, and it is not even beyond the bounds of possibility that they will find their way to the "less than Fine" old masters at Sotheby's and Christie's!

Portrait of Juan de Pareja by Velasquez at the Metropolitan Museum

Push for writers' freedom

Anthony Curtis on the 54th PEN Congress in Montreal

ONE OF the most moving moments at the 54th World Congress of PEN which closed last weekend in Montreal was the appearance on a public platform of the escaped Chinese poet Duo Duo, reading from his work and attempting through an interpreter to join in a discussion on writer's freedom. The mere presence of this leather-jacketed man, the lines of endurance engraved on his sensitive face, crowned the sense of writers' solidarity all over the world, which was the main message of the congress, a hugely successful one in human terms.

Another high-spot was the intervention of Tatanya Tolstoya, a large, striking, ebullient, fluent English-speaking Russian woman novelist, a member of the formidable Tolstoy clan (granddaughter of Alexei) and possessor of a mordant wit. Her sallies were directed mainly at the extraordinary catalogue of legal restrictions on writers' freedom in the Soviet Union and on those gentlemen who preside over writers' unions. According to Tolstoya, their qualification for this post is in many instances little more than their ability to write their own names.

To hear a Russian writer talking in this relaxed way about the attitude to writers in her country was in sharp contrast to the usual guarded party-line comments by official spokesmen for literature. We learnt later from Alexandre Blokh, the International Secretary of PEN, that Russian PEN, now readmitted, has joined the Writers in Prison Committee.

There is no better instance of the importance of the work of this committee than the contact it has maintained over the years with the Czech playwright Vaclav Havel, in and out of prison for his fearless writings for the past quarter of a century. He was invited to the Congress but, as he explained in a long fascinating letter read out in translation, he was unable to attend. Havel referred to the history of the Czech PEN centre whose earliest president was Karel Capek. They went into "voluntary hibernation" rather than remain active under a repressive regime. Havel was unable to attend because of circumstances beyond his control.

"Twenty years ago, my passport was confiscated by the Czech authorities, and when I recently applied for a new one, among other things in connection with the invitation to your congress, my request was again turned down."

Every Congress has its protestors, and for this one it was a small group representing African, Asian and native Canadian writers who staged a demo before some of the sessions claiming that "PEN Canada Locks Out Writers of Colour." This blew over pretty rapidly with hardly any fall-out. So far as separate language-enclaves was concerned, non-Canadian delegates coming for this first time to Montreal became aware of the *littérature québécoise*, a flourishing school of *francophone* (French-speaking) Canadian writers, novelists, poets, playwrights, who produce high-quality work in French that is quite independent of both modern France and English-speaking Canada, and whose language and traditions stretch back to the 18th century. As their critical spokesman, Jean Ethier-Blais who is also the president of the Centre francophone canadien, told me: "They sometimes feel nowadays their very existence as writers is threatened."

Another group to feel threatened were the women writers from all over the world. The formation during the Congress – under strong American leadership from Meredith Tax and Betty Friedan – of an International Network of Women Writers was by far the most significant part of the unofficial agenda. The initial meeting to set this up, which I attended as an observer, was extremely well supported by women writers from most countries in the world. They were all vehement and uncompromising in their belief in the need for it, particularly those from African countries. The only notable absentees at this historic meeting were the women delegates from English PEN, people like Antonia Fraser, Josephine Pullein-Thompson, A.L. Barker, who presumably do not feel the need for such a network. However, novelists like Margaret Atwood and Alison Lurie were there to pledge support. Clearly a vocal, not to say militant, women's network is something with which PEN will have to cope from now on – whether the official male-dominated international committee likes it or not.

French movie culture

PARIS IN the autumn. What better time to assess the aftermath of France's famous Bicentennial?: and to see if French culture in general, and movie culture in particular, are still alive after months of prostrating themselves before the tricouleur. They are alive, but it may be some time before they start kicking again. As 1989 dwindles to an ashy glow, one rakes around in the cinders to find anything resembling a truly, as opposed to a stuffily commemorative, "revolutionary" spirit.

I spent much of my recent visit eavesdropping on Paris's largest movie event, the International Festival of Imax Films. In the once-revolutionary La Géode cinema – formerly the pride of France and boasting the largest screen in the world – there unfurled a series of enthusiastically show-off movies made in this state-of-the-art hemispheric process. (You sit in the lower part of a geodesic globe watching enormous wall-to-wall images beamed onto the higher part.)

The festival's joint winners were two American documentaries, *Beavers* and *To The Limit*. But if you did not fancy these – 80-foot-tall rodents can be alarming, and so can athletes exuding beads of sweat the size of golfballs – there was France's own contribution. *J'Ecris Dans L'Espace* is of course Bicentennial-oriented. It tells of the Revolution-era Chappe brothers who invented the optical telegraph. With top-notch credits including writer Jean-Claude Carrière (*Belle De Jour*), director Pierre Etaix (*The Suitor*) and cameraman Henri Alekan (*La Belle Et La Bête*), the production shows someone is taking Imax very seriously: at least it is worth wheeling out when you need something big with which to celebrate "la gloire."

Unfortunately *J'Ecris Dans L'Espace* suffers from the same disease that has afflicted much French commemorating this year. Costumitis. Shove a whole lot of august-looking, third-magnitude actors into late 18th century dress and make them pontificate and attitudinise. The same distressing procedure is observed in the other big Bicentennial film now in Paris: Alec Costandinos's *France*.

Made on Imax's rival process Showscan (whopping size and creamy clarity created by 65-mm film projected at 60 frames-per-second), *France* is a multi-million-franc turkey. Scenes of irrelevant Showscan showmanship – "you are there" sequences of flying, skiing or high-speed driving – alternate with tableaux barely vivants in which costumed actors pretend to be the National Assembly or Napoleon's army weeping at his farewell speech before Elba. Sponsored by Perrier, the film inspires the response "Eau God" long before its brief 40 minutes are up.

Paris today is a funny place. While the city bows down in worship before "les evenements de 1789," les *réalités* de 1989 seem in need of much more urgent attention. Or so it strikes the visitor. The Paris Metro must now be the filthiest underground system in Western Europe (I include London); the Champs Elysées bars and brasseries serve ghastlier food than ever at more inflated prices; and the most surreal time I had was at the almost-brand-new City of Science and Industry on the Paris outskirts. This chrome-pillared monument to the future – part museum, part theme park – boasts, inter alia, a cafeteria that ran out of food at 4.00 on a busy Sunday afternoon and a handful of broken-down telephones that ensured I took 45 minutes to make a simple call to my hotel.

But then a nation that can spend a whole year burying its ostrich head in a designer-revolutionary past – one largely dry-cleaned of the realities of death, terror, disillusionment and Robespierre – is unlikely to have the vision or energy to blueprint a convincing future.

The only truly revolutionary film I saw in Paris was one that used no fancy movie processes, no costumed cast of thousands and no dicta by Danton delivered in thunderous Dolby. It was Bertrand Tavernier's *La Vie Et Rien D'Autre*. "Revolutionary" is putting it a bit high, perhaps, for this richly intelligent tale of love and death in the aftermath of World War I. But dissident it certainly is in Bicentennial year. Where other movies glorify war, art and language as so many instruments of national self-assertion, Tavernier sees all three as minefields of tragedy and disillusion.

His hero is an ageing French commandant (Philippe Noiret) assigned to sift through the human wreckage of Verdun in 1920. In a nightmare landscape of unexploded bombs, corpses turned over in the topsoil and shocked relatives claiming the jigsaw pieces of their dead, Tavernier's camera prowls, peers and unsentimentally pities. There is more about the French Revolution in this film than in a dozen patriotic screen-pageants on the subject itself. More about the precious lives with which we pay for our precious freedoms; more about our doubts over whether the price is worth paying; more about the cosmic indifference with which, whatever we decide or do, the world keeps turning – the one "revolution" man can do nothing about.

Nigel Andrews

Birmingham goes Dutch

***William Packer** reviews the City Art Gallery and other exhibitions*

TODAY, AT the Birmingham City Art Gallery, there opens the first Old Master Exhibition in the city for 15 years; the news is at once sobering, and yet encouraging that such things can still be done. The further good news is that the city council has lately coughed up to the tune of £3 million, and within a year or two what were the offices of the gas board, on the floor immediately below the present galleries, will be available for temporary exhibitions. Good for Birmingham.

Images of a Golden Age (until January 14) is the creature of an idea as sensible as it is simple. Its subject is Dutch painting of the 17th century, material in which this country is extraordinarily rich. So British collections, great and small, have been trawled for their treasures, and a chief delight of the show lies in the works pulled up from the small museums of Leamington or Nuneaton, Derby, Hull, Gateshead or Burnley. The works of the great figures — Rembrandt, Hals, Vermeer, Hobbema, van Goyen and their peers — drawn from the great holdings of the National Gallery, the National Trust, of Edinburgh, Dulwich and Cambridge, above all of the Royal Collections, supply the essential framework.

The hang for once is neither chronological nor hierarchical, but local, with the artists set in groups by the town where they were born or were known to work — principally Utrecht, Leiden, the Hague, Haarlem, Delft, Dordrecht and, of course, Amsterdam. It is a nice idea, but one that serves more the scholarship of biography and circumstance than purely visual discrimination, for Holland is not the largest of countries, and its artists were seldom absolute fixtures. The greater cities, as ever, had the greater pull.

The imaginative stimulus and excitement, which are considerable, lie with the works themselves. On Tuesday last when I was allowed my preview, the Royal pictures (Dou, Metau, de Hooch, ter Bruggben) and those from the National Gallery (Vermeer, Rembrandt) had yet to arrive, many were still to be unpacked, most leant against the wall. No matter, for there were plenty of treats. Birmingham's own Van Goyen, typically of traffic along both bank and river, is a great painting, as light as air. Liverpool's strange "Betrothal," merely School of Rembrandt, is a commanding picture nevertheless with its two portrait figures, ths man in shadow, the woman, painted with a marvellous facility, fixing the viewer with a gaze of quizzical intensity. Hobbema, Ruisdael, Terborch, the tiny Hoets from Dulwich, of classical frolics in Arcadian undergrowth - wonderful stuff. I must see it all again, when it is up.

★

Landscape of a different kind is to be found at the enterprising Mead Gallery in the University of Warwick, near Coventry. Clare Stracey, whose own gallery, Midlands Contemporary Art, is to open in Birmingham next month, was invited to select a show, which she has called *Singular Visions* (until October 28: then to the Pomeroy Purdy Gallery, London, in the New Year). Her choice has fallen upon four painters and a sculptor, all of them fortyish and all working from and with the landscape, though not in any closely descriptive way. Each has the opportunity to show a substantial body of work in the Mead handsome space.

Their work deals rather with the experience of landscape in terms of direct and personal response. For the painters at least, this comes out as a kind of expressionism. All abstract painting is a kind of landscape painting, for the space, light and form it inevitably conjures in the imagination. These artists may not have begun as abstract expressionists themselves, but they were formed as artists against its influence, and it was their generation as much as any that was ready to accept the overt suggestion, if not the actual description of landscape in their work. The painters are Christopher le Brun, Sandra Masterson, Terry Shave and Michael Porter. The sculptor is Andy Goldsworthy, who bere shows immaculate photographic records of his delicate natural interventions and rearrangements.

★

Finally a note thet between shows of its own, the Ikon Gallery in Birmingham is showing the short-list and Henning Larsen's winning submission for the Opera House to be built in Capability Brown's parkscape at Compton Verney, near Stratford (until October 14). The work has already been seen at the Royal Academy, but if the dream is ever to be realised, it will only be by Midland enterprise and practical support. This small show in Birmingham is very much to the point.

Old Woman and Boy by Candlelight by Mathias Stomer at the City Art Gallery

Carreras returns as Columbus

*In Barcelona, **Ronald Crichton** reports on a special occasion*

THE NEW opera about Christopher Columbus was commissioned from the writer and dramatist Antonio Gala and the composer Leonardo Balada for the Columbus Quincentenary. Patronage came from the Grupo ENDESA. The leading roles were designed for two of Barcelona's most illustrious and beloved singers: Montserrat Caballé and José Carreras.

The tenor's grave illness led to a postponement. Once he was happily recovered, preparations continued. The world première was given at the Liceu Theatre in Barcelona on September 24 in the presence of the Spanish King and Queen. A rare thing, as the Press pointed out, for a monarch to attend the birth of a new opera. I heard the second performance, a few evenings later, when a fully attentive house gave *Cristóbal Colón* a friendly reception. Balada's eclectic, colourful, thoroughly professional score contains little to frighten anyone who watches films or television. All the same one had the impression that the applause may have been directed mainly at the singers.

This was a joint enterprise with Pittsburgh Opera, where the show's conductor Theo Alcantara and producer Tito Capobianco are both active and where Balada (born in Barcelona) is professor of composition at Carnegie-Mellon University. He is in his mid-50s: *Colón* is his third opera. He has admitted to forsaking an earlier dislike of "obvious melodic lines" in favour of "unrestricted lyrical" ones, and to *writing with specific voices in* mind. Thus the title role is given declamation not tense and high-lying like the narrator's music in Falla's *Atlántida*, (also concerned with the voyage of Columbus) but placed gratefully for the burnished tones of Carreras.

As Isabella ths Catholic, Caballé has no less than three big solos with the long lines she can spin out in her masterly way. When they become orientally inflected one begins to wonder whose side, at this moment of time when the Moors were being driven out of Spain, the Queen was really on. It was a privilege and a pleasure to hear Caballé sing three new and extended pieces. Balada refers to them as "arias" but except for the third *and last they seemed, in spite* of the soprano's celebrated ability to invest a long legato pbrase with a narrative urgency, to be a little shapeless. The yonthful bloom on Carreras's tone had begun to fade before his illness but, apart from a few unsteady patches, the characteristic timbre is unharmed, and the stamina apparently undiminished, through a long and taxing role. The personality remains, so to speak, lyrical rather than dramatic. He presents a quiet, reflective rather than an heroic figure.

Ths Argentinian baritone Carlos Chausson made much of the independent-minded Pinzón, who shared the voyage. To the warm-voiced Chilean mezzo Victoria Vergara as Beatriz *Enriquez, Cordoban mistress of Columbus*, there fell the most eloquent and personal music in the opera. (These four roles will be sung at the fifth and last performance by s second cast.) As King Ferdinand a young bass, Stefano Palatchi, imposed himself with promising voice and striking presence. The level of solo and choral singing, aided as ever by the Liceu's excellent acoustics, was generally high. The orchestra responded keenly to Balada's glittering orchestration. Some of the choral dances suggested another modern opera given royal patronage at birth — Britten's *Gloriana*.

The word "show," not to be taken pejoratively, has crept in. Since masterpieces aren't to be had for the asking, it does no harm if a new opera (or piece of "music theatre" as this one could well be called) written for a special occasion and as carefully planned as *Cristóbal Colón*, pleases eye as well as ear.

Setting and costumes by Mario Vanarelli and Eduardo Urculo are based on a revolving construction suggesting a giant astrolabe, not bleak and menacing as such inventions can be but bathed in kingfisher-coloured light. Tito Capobianco manoeuvres soloists and busily employed chorus smoothly and capably. The libretto's switches of place and time between the conception of the voyage of discovery and the realisation, fall easily into place. Gala's text (in Castilian) promises to repay study. An initial impression suggests that a composer of longer experience of opera might have demanded cuts. *Colón* is not long but one felt some episodes might gain from compression. As sometimes happens when a *distinguished literary man* turns to opera, there are a lot of words.

Radio

Look into China

IT WAS an unhappy chance that the 40th anniversary of Mao Zedong's assumption of power over the Chinese should have been the year of the massacres of Tiananmen Square. *An account of this disaster* was what opened the first programme in Radio 4's six-part series, *The Chinese People Stand Up* (Wednesday evenings, also World Service on Sundays). It gave a wrong interpretation to the title, and I suppose was added after the programme had been made.

This first programme of Elizabeth Wright's six is sub-titled *A Nation of Beggars*. Its theme is the poverty of the Chinese in the days before Mao. It goes back in current Chinese history as far as 1934, picturing the wretched lot of the people, often the victims of local "warlords." David Crook, a British Communist in China at the time, told of the misery in Japanese-occupied Shanghai.

Mao led his Communists' resistance to the Japanese pretty independently of Chiang Kai-shek's. He did not fight more than he had to; Crook remarks on the curious family loyalty shown by his soldiers — casualties from one's own family were succoured, those from others not. Chiang's army was increasingly infiltrated by Communism.

In 1947, when the Japanese had been beaten, it was the turn of China's own landlords, made to kneel and confess their faults, with up to 2m deaths. But as Chiang said, "The Japanese are a disease of the skin, Communism is a disease of the heart;" and Communism won. In 1949, Mao's forces reached Peking in good order ("we can be proud of being Chinese," two university professors were quoted, about their discipline). Chiang Kai-shek flew to Taiwan.

We know too little about the ordinary Chinese people, and this series, with plenty of first-hand commentaries, seems to me important. The Tiananmen demonstration with its dreadful consequences cannot merely have been a demonstration on the Broadwater Farm level. I look forward to the other instalments.

For five years, Radio 2 has been busy recording all the Gilbert and Sullivan operas (including *The Grand Duke*), to broadcast in proper chronological order on Sunday afternoons. *This voluptuous project* will occupy 12 Sundays, complete with introductory talks and interval talks and a chance to hear songs that were deleted by the authors, as in *The Sorcerer* on Sunday, for instance.

The series began last *Sunday with Trial by Jury* (first heard 1875) and *The Sorcerer* (in the original 1877 edition, restoring the cuts). *Trial by Jury* demonstrates what became clearer throughout the partnership, Sullivan's superiority to Gilbert. The libretto is only a sequence of lawyers' jokes, enlivened (or disheartened) by tricky rhyme-snatching, "Breathing concentrated-otto, an existence à la Watteau." "Otto," indeed! But the *score is tuneful, memorable* even.

Sir Charles Mackerras conducted *Trial by Jury*, with the BBC Concert Orchestra, the Ambrosian Singers and soloists well able to articulate in d'Oyly Carte manner. I only heard half of *The Sorcerer*, which was conducted by Barry Wordsworth.

A half-hour play on Radio 3 on Saturday evening is a novelty. The play last Saturday was David Mamet's *Prairie du Chien* (call it Sheen), a watering-stop on the train from Chicago to Duluth. There are two stories on top of one another, one of men quarrelling over a card-game, the other a reminiscence of the mysterious events at a murder. The deep sleep of a boy with only a couple of lines is the connecting factor.

Original plays for radio by good American writers are another novelty. This one was well worth its 25 minutes — Algernon Blackwood in current American roughly gives you the feeling, well established by Andy Jordan, the director. Lee Montague tells the tale, Michael Feast and William Hootkins play the cards.

B.A. Young

New Carter and Neikrug

WITH THE BBC Symphony on Thursday, Oliver Knussen stepped into his new role as their Associate Guest Conductor with the utmost panache. Not only did he polish the varied high colours of his all-American programme till they gleamed, but he was partly responsible for the existence of the "new" Elliott Carter triptych which he premièred with such expert sympathy.

In the past few years Carter has produced short occasional pieces to order, always to his own rigorously original standard. Two were for large orchestra: a mischievously elaborated fanfare for the Houston Symphony called "A Celebration of some 100 X 150 notes," and a six-minute elegy for Paul Fromm, "Remembrance." The latter is led by a wide-ranging, soberly eloquent tenor-bass trombone (here the admirable Anthony Parsons), while the orchestral voices not only supply gentle echoes but develop contrasting episodes of their own. It was Knussen who pressed Carter into composing another panel, to make a whole suite: whence "Anniversary" (a BBC commission), and thus the "new" *Three Occasions*.

If the concentrated variety within the "Remembrance" orchestra is unexpectedly potent, the lyrical density of "Anniversary" (the Carters' golden 50th, in fact) is marvellous. It begins, like many a Carter piece since his quartet-sonata of half a lifetime ago, with singing lines in non-matching rhythms, and expands swiftly into overlapping paragraphs — pithy, tender, vividly distinct — which cover a great expressive range before the music relaxes at last into grey reminiscence (and thoughtful new questions). At six-and-a-half minutes, it has the argued richness of a ripe Classical movement, in succulent orchestral colours which render the argument lucid; and it raises the suite miles above "occasional" status.

There was also the British première of Marc Neikrug's 1982 Violin Concerto, delivered with resounding authority by its dedicatee Pinchas Zukerman, for whom Neikrug has long been a regular concert partner at the piano. Its idiom is confidently post-Romantic, with candid echoes of things like Berg's concerto, and its surface twinkles with toothsome orchestral *icing as* well as muscular solo flights. Though there are two movements, the overall form suggests a Hungarian (gypsy) Rhapsody: with the violin firmly in the limelight throughout, the score progresses by wayward steps from a moody "lassan" to a frenetically insistent "friss."

Knussen made everything in the orchestral part tell brilliantly, as he did also — and *with manifest affection* — for Charles Ives' evergreen *Three Places in New England*. Even on Radio 3 the gritty, laconic impact of Varèse's 1927 *Arcana* was sensational; in the Festival Hall his vast, meticulously ordered battery of percussion must have had a seismological force.

David Murray

Adopt a picture

AFTER ADOPT an Animal and Adopt a Book — even Adopt a Vine — the public is now invited to Adopt an Old Master. This month the Dulwich Picture Gallery launches a scheme which its director hopes will fund the conservation or restoration of all its 650 paintings. A modest £350 will cover the cost of conserving Teniers' "Winter" while, for £20,000, the proud parent can have the satisfaction of preserving Rubens's "Venus, Mars and Cupid", or Poussin's "Triumph of David".

Whereas the British Library's Adopt a Book scheme has appealed mostly to individuals — a donation of £200 will conserve an entire volume, and entitle the benefactor to his or her name on the bookplate — the Dulwich appeal is more suited to the corporate sponsor. Adopting an *Old Master* — be it a Gainsborough portrait (£2,000), a Raphael saint (£6,000) or a *Murillo madonna (£12,000)* — allows the benefactor to reproduce the picture on cards, calenders or in business publications. The company's name is put on the gallery picture label, and notice of its generosity circulated in a national press release and in the gallery's newsletter.

Adoption will also furnish invitations to private views and gallery events, and offer the business and entertainment benefits of the gallery's Patrons' and Corporate Friends' scheme.

Susan Moore

CHESS

Due to technical problems, the chess column will not be appearing this week.

Unsaintly Oscar

OSCAR WILDE was a rum sort of patriot: his entire life could be read as a sustained act of uncoupling from the accident of his Irish birth. He is also a rum sort of saint, but it as such that Terry Eagleton styles him, not through any intrinsic saintliness but through his martyrdom to the scandalous and hypocritical protectionism of the English ruling classes. As the chorus of cloth-capped balladeers so pithily warn: "If you're queer and you're *Irish* and wear a daft hat, don't screw the son of an aristocrat."

Saint Oscar, Eagleton's first play, brings this eminent Marxist critic (English) together with the Irish company Field Day, throwing in Trevor Griffiths as director, Bob Crowley as designer, and a crowd-pulling musical partnership of Neil Martin with Philip Chevron on The Pogues along the way. It is the sort of sledgehammer that is the dream of every small nut, but although the artistic stature of Wilde is quite rightly questioned, all the best cracks are his own.

Esgleton's thesis is that Wilde's pursuit of a frivolous artistic individualism left him fatally marooned. Ths slabby *first act*, leavened by a scattering of lewd songs, consists of his systematic rejection of the persuasions of nationalism and class. Nstionalism is represented by his Fenian mother (Eileen Pollock), a Lady Bracknellish vision in turquoise and black; class by his friend Richard Wallace (Seamus Moran) who scorns his professed socialist principles on the grounds that they have nothing to do with the struggles of the working man. The final supplication, made by Sir Edward Carson during his famous courtroom annihilation of Wilde, is that of the moral man versus the "professional mocker" — a position ironically overturned when Carson's own betrayal by the establishment transforms him into a rabid Orangeman.

Stephen Rea's *Wilde*, an outrageous figure in gold, purple and black, answers their arguments with aphorisms on a stage dominated first by a huge plaster cast of the martyred Saint Sebastian and then by a towering scarlet judge. But it is only when he is *consigned to the uniform greyness* of prison that a dramatic conflict begins to take shape between the incorrigibls poseur and the ulcer-riddled victim of a monstrous political cover-up.

Rea's quite remarkable impersonation of Wilde does a lot to tide the play over its early dramatic inadequacies. Clutching a slop bucket and dealing out papal blessings to his fellow inmates, or grovelling at the smartly shod feet of his beloved Bosey, he is belatedly given real meat to chew.

One can only surmise what Wilde would have said about his hero's welcome to the packed St Agnes Parish Hall in Belfast's staunchly Catholic Andersonstown, but it would certainly have been something unsaintly.

Claire Armitstead

SPORT

The week when tennis becomes fun

***John Barrett** joins the family get-together in Tokyo, which is host to the women's Federation Cup*

IT IS a bit like the annual family holiday. The 27th Federation Cup competition, taking place this week at the superb, three-year-old Ariake Tennis Centre in Tokyo, has once again rekindled the amateur spirit that is in danger of extinction in professional tennis.

This women's team competition, organised each year in a different country by the International Tennis Federation and being played in Japan for the third time (Tokyo 1981 and Nagoya 1985 were the other occasions), is of immense value to the world-wide tennis family. It brings together players of all standards from 40 countries - 24 accepted direct and another 16 which play in the preliminary round for the remaining eight places.

For one memorable week of the year, the humblest of amateurs such as Deanne Bell from Jamaica, Carol Curmi of Malta, or Chen Li, the No. 1 for the People'e Republic of China (who stands proudly at 487 on the women's computer rankings) rub shoulders with the established stars.

World champion Steffi Graf is here for West Germany, after a year's absence, and Chris Evert is playing her last representative match for the US. Helena Sukova once again leads the defending champions, Czechoslovakia, and is looking confident and relaxed.

The effervescent young French champion, Arantxa Sanchez of Spain, now up to No. 5 in the world rankings, has also been dazzling us with her skills in helping the No. 2 seeds through to the semi-finals. There they face the Australians, unseeded for the first time in this competition hut for whom Wendy Turnbull has proved an astute, non-playing captain.

This should be a fine battle between two well-balanced teams. Conchita Martinez, ranked 10 in the world, is an impressive second singles player for Spain and should account for Liz Smyllie. But Anne Minter might give Sanchez a fright if she can play as she did six weeks ago in Toronto when she beat Chris Evert. Regardless of the result, this should be a joyous occasion.

In fact, despite the rain which has interrupted play on all but two days, it has been a joyous week. Evert summed it up perfectly for all of them. "I still feel excited when I play team events," she said. "It's a great feeling to be pulling for your team-mates."

For Chris, there is also a little matter of pride at stake following the surprising American defeat against West Germany in Vancouver in 1987. She said: "I really felt I'd let Pam (Shriver) and the team down two years ago when we lost the deciding doubles in the final against Germany after we had led by a set and 4-1. So, I'm really looking forward to this year. It would be great if the United States could regain the trophy."

Navratilova beat Paulus in straight sets — but the Viennese girl defeated all-comers in the beauty stakes

With Martina Navratilova leading the top seeds once again, plus the Olympic doubles champions Shriver and Zina Garrison in captain Marty Riessen's side, that seems to be a distinct possibility.

After 3-0 wins against Greece and Denmark, yesterday's brisk quarter-final victory over Austria came as no surprise. Judith Wiesner and Barbara Paulus assumed singles duty for the No. 8 seeds. These were the same two girls who had won their singles matches convincingly to end Britain's modest hopes in the second round. The best that can be said for Ann Jones's team is that at least they despatched Indonesia 3-0 in the opening round to avenge that humiliating loss at the same stage last year.

But the young Austrians were made to look most ordinary by the experienced Americans. Evert's 6-1 6-0 victory over Wiesner took just 71 minutes and was her 38th singles win in 40 ties since she first competed in 1977. Only Sandra Cecchini of Italy in 1986 and Steffi Graf the following year have lowered her colours. Otherwise, she has conceded a set on only four occasions. Impressive as this record is, it cannot compare with Margaret Court'e 100 per cent singles record in 40 ties for Australia.

Navratilova was almost as severe against Paulus, winning 6-4, 6-1 in an hour. As the long-legged Austrian chased vainly after Martina's sharp volleys, it was easy to see why the 19-year-old Viennese beauty had been voted Miss Federation Cup 1989 by the Japanese journalists in a delightfully informal ceremony in the press room.

Her match was a timely reminder that there is no substitute for experience, for this was the first year of Federation Cup competition for the former Austrian junior champion who won her first professional tournament last year in Geneva.

No pair in the world are more experienced than Navratilova and Shriver, and yesterday they were reunited for the first time since Wimbledon. Their obvious enjoyment was apparent as they completed a 3-0 rout, beating Paulus and Wiesner 6-1, 6-2.

Strength in depth is the other requirement in team competitions, as the third-seeded Czechs demonstrated yesterday in their 2-1 victory against the West Germans, the fifth favourites.

When Claudia Kohde-Kilsch was soundly beaten 6-3 6-3 by Jana Novotna — s result that most of us expected — it was apparent that the doubles would become decisive, for it was inconceivable that Graf would allow Sukova the luxury of a win against her. This was something the Czech No. 1 has achieved only once in 12 meetings — on the first occasion they met, back in 1983 on grass in Brisbane when the young German was aged only 14. So it proved. Steffi disposed of the potential threat 6-2 6-1 in 38 impressive minutes.

It was a very different matter in the doubles. The excellent team work of the Czechs, forged in the fires of many hard battles together — including this year's Wimbledon final where they were successful against the Soviet Union's Larissa Savchenko and Natalia Zvereva - was decisive. Exploiting Kohde-Kilsch's tentativeness, the Czechs won the opening set 6-2. When they then broke Graf to go ahead 4-2 in the second, after the 20-year-old world champion had led 40-0, German resistance crumbled.

A subdued Graf leaves court after her doubles defeat

The levity of the holders at the press conference afterwards was understandable. When the captain, Jiri Medonos, was asked about the team's prospects against the Americans in today's semi-final, he avoided a direct answer by saying that working hard with the two girls for the past two weeks had given him a headache. Quick as a flash, a laughing Sukova grabbed the microphone and said: "That's better than a heart attack, surely!"

Yes, it has been that sort of week. The holiday spirit prevails.

An Old Lady with real charm

***Nicky Smith** savours the delights of team golf at St Andrews*

ST ANDREWS, commented Thomas Carlyle when he was 85, "is a grand place." He fancied the town because he thought it distilled Scotland's antiquity "in good and clean condition." His observation is distinctive not only for its veracity but because it is one of the few statements regarding St Andrews that does not contain any reference to golf.

It is five years since the Dunhill Cup was first played on the Old Course, and I have been lucky enough to see three of those tournaments. The real achievement is that although I have walked the course, watched the play and the players with deepening interest and talked my way past Tom the porter into an impromptu tour of that bastion of male chauvinism, the Royal and Ancient Golf Club, I still know nothing about the game. Yet, asked which event I would most like to attend in the British sporting calendar and it has to be the four days of Dunhill international team golf at St Andrews.

Much of my enjoyment lies in the knowledge that almost everything about this tournament always contains an element of the unpredictable. For a start, there is the uncertainty of which players will attend after the high drama of the Ryder Cup and the even greater uncertainty of how they will fare. They might arrive trailing clouds of glory like Christy O'Connor Jnr, only to find themselves splashing away to defeat in the Swilcan Burn. O'Connor must have felt himself abandoned on the wilder shores of golf that day. After playing his last shot, he turned and threw his ball back into the water and would doubtless have agreed with the Victorian gentleman who thought the Swilcan "a muddy little dribble, worming along ignominiously at a crawl."

Others, like Mark Calcavecchia, arrive uncertain and anxious that the course lacks definition, then leave a few days later on a wave of victory. Only Curtis Strange seems completely at ease with the "Old Lady," holding the St Andrews Old Course record with a 62 and confident, now, that the Dunhill Cup is "the finest team event in the world."

Then there is the unpredictability of the weather. Last year the players looked at each other through waves of thick mist which swirled in from the sea to shroud the greens and reduce visibility to a short putt. Last weekend the spirits of the various prelates who established the town, the university and the game of golf beamed down on the Old Course to give the players perfect conditions.

Also unpredictable is the reaction of the Scottish crowd which observes its national game with such proud intensity. One minute they will be watching with the polite, hushed respect of a congregation at prayer; the next they will hiss and boo because a few divots are flying through the air or because they think the play is too slow. During his game against Mamabu Suzuki, Howard Clark paused because O'Connor was playing his last, disastrous shots on the first hole nearby.

"Stop yer greetin' laddie an' get on wi' it," came the cry from the crowd, and the mood went sour until Clark turned with a wide smile, a shrug of his shoulders and palms held upwards to raise a laugh and lift the tension. Psychology is not always evident in golf but it is said to have played a large part in Suzuki's game. It did not help him in the first round of the final against Strange, but it may have maintained the even display of Japanese courtesy which lasted throughout.

O'Connor: splashing to defeat

One element that is totally predictable is the lavish entertainment provided by the sponsors. Glamour sweeps out from every ruched and draped Dunhill tent and smoked salmon swim in the rivers of champagne. Everything is perfectly orchestrated, from the first caviar nibble to the last chocolate truffle, and although all may not be invited in, there are many who feed off the corporate hospitality.

The Dunhill Cup brings out the best entrepreneurial spirit in and around St Andrews. Everyone profits, from the young student selling "periscopes for the golf" to the pretty nurse who has taken a week of holiday to enrol as a driver ferrying guests to and from the airport. The hotels are crammed, the windows of every bookshop stacked high with books on anything and everything do with golf, and the shops selling kilts, fine cashmeres and deft tartan hats are filled with cash-dispensing tourists.

East Fife, it seems, is rife with Continental barons and baronesses who, in return for a few pages in a glossy gossip mag and a fair amount of hard cash, will throw wide the creaking portals during the 'kolf' (Dutch noun meaning 'club') to welcome those in search of a social experience. We are back to contrast and unpredictability, which in this case means strange cheese for breakfast instead of porridge, saunas where the bath should be and conversations in lilting tones with women who wear peculiar tartan tights and several pounds of make-up on their eyelids and have qualified as brain surgeons and also written a book or two on genetic engineering.

After half a dozen aquavits and a brief chat on Kierkegaard while chopping up the blood sausage for the children's tea, you just begin to feel you've got the hang of it when a wagonload of Germans turn up to throw themselves on to a specially designed assault course in a series of Land Rovers before banging off at the clay pigeons from the steps of the conservatory. It is supposed to help the frustrated Euro-businessman to relax, and it seems as remote from a weekend in the Highlands as kippers in a Viennese tearoom. It must be this sort of unpredictability which causes the Health Club at the Old Course Hotel to exhibit a little brass plate which says "Therapist in Treatment."

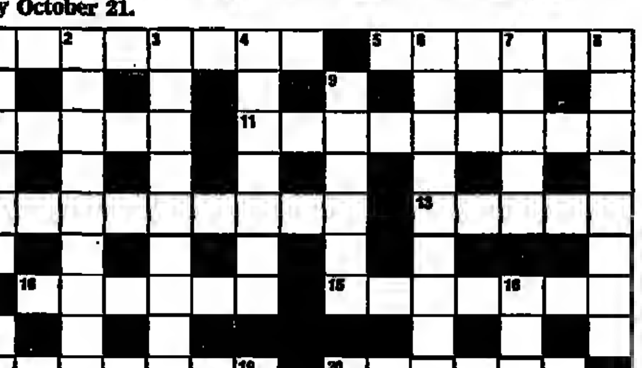
Meanwhile, the golf goes on. Experienced reporters come and go, interviewing, gossiping, churning out reports and greeting each other in the Swords bar. They all have a special affection for St Andrews, and John Hopkins of *The Sunday Times* goes so far as to list 10 reasons for the attraction, of which golf is the seventh.

All thoughts are now on the Suntory World Matchplay, and Wentworth is the place to be. But as the tents come down at St Andrews, many are already looking forward to the Open in July of next year. One thing is for sure: however unpredictable she may be, the "Old Lady" will be in good and clean condition.

CROSSWORD

No. 7,057 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday October 18, marked Crossword 7,058 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday October 21.



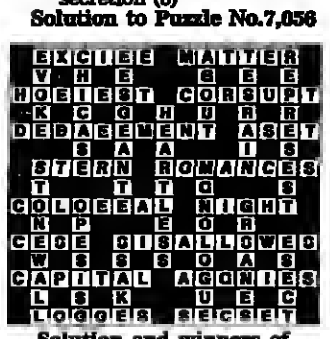
ACROSS

1 Worthless remnant in sack of Tyre (6)
5 A meeting-place lined with trees (8)
10 Cried out for a drink (5)
11 Taking pains on the stage (9)
12 Guerrilla (right, not left) movement by guerrilla (9)
13 Strong man to beat about it (5)
14, 15 Smoothing down government in office? (6,7)
18 Take more than one's share of tobacco for tall growth (7)
20 Stop, say, to be stopped when misled (6)
22 Dance with strange bachelor (5)
24 Fighter takes odd tot with cabman (9)
25 Support the clergy on the stage (9)
26 Crook and rake taking in string (5)
27 Where chips are used with some garlic, as in Oxford (6)
28 Retreat from handicap (8)

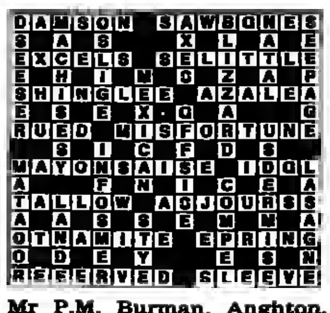
DOWN

1 Bed upset — something wrong with alarm (6)
2 Servant girl, nun, and editor, possibly (9)
3 Travelling on river with predator (5,6)
4 Indebtedness to flower — keep it flying! (3,4)
6 Food product of malt beverage leading to quarrel (9,5)
7 You can't play tennis with nine players (5)
8 Time in its entirety? (8)
9 He and his collar are circle shaped (6)
16 New sound: painter, student and soldier with a pain (9)
17 Revolutionary part of river to cross like an innocent child (8)
19 Learned man of the same carat gold (6)
20 Politician's house with vehicle outside to deter moths (7)
21 Naked run of luck? (6)
23 Greek character, approximately, with American secretion (5)

Solution to Puzzle No.7,056



Solution and winners of Puzzle No.7,045



Mr P.M. Burman, Aughton, Lancs; Mrs E.M. Haughney, Edinburgh; Dr A.R. Kemble, St Austell, Cornwall; Elizabeth Paterson, Forfar Angus; Miss B.M. Wadely, East Sheen, London.

TELEVISION & RADIO

SATURDAY

BBC1

[illegible]

BBC2

[illegible]

CHANNEL 4

[illegible]

S4C WALES

[illegible]

LONDON

[illegible]

The Truffaut film season continues with Truffaut himself playing a leading role in *La Chambre Verte*, C4, 9pm

ANGLIA

[illegible]

BORDER

12.30 pm Batman.

CENTRAL

12.30 pm The Fashion Show.

CHANNEL

12.30 pm Karting: The Super Prix. 1.00 Diary Dates.

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

12.30 pm Batman. 5.15 The Incredible Hulk.

SCOTTISH

12.30 pm Batman.

TSW

12.30 pm The South West Week. 5.05 Newsport. 5.15 Gus Honeybun's Magic Birthdays.

TVS

12.30 pm Karting: The Super Prix from the Clay Pigeon circuit, near Dorchester.

TYNE TEES

12.30 pm Batman.

ULSTER

12.30 pm Batman.

YORKSHIRE

[illegible]

RADIO

(S) Stereo on FM

BBC RADIO 2

[illegible]

BBC RADIO 3

[illegible]

BBC RADIO 4

[illegible]

SUNDAY

BBC1

[illegible]

BBC2

[illegible]

CHANNEL 4

[illegible]

S4C WALES

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LONDON

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ANGLIA

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BORDER

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ULSTER

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YORKSHIRE

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RADIO

(S) Stereo on FM

BBC RADIO 2

[illegible]

BBC RADIO 3

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RADIO 4

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